

**CLAY COUNTY REGIONAL WATER DISTRIBUTION
DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S
REPORT



MANDY WALKER, P.A.
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Clay County Regional Water Distribution District

I have audited the accompanying financial statements of **Clay County Regional Water Distribution District (the District)**, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Clay County Regional Water Distribution District's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion on the Department

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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Mandy Walker, P.A.

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Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 24, 2018 on my consideration of the Department's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Mandy Walker, CPA

**Mandy Walker, P.A.
Tuckerman, Arkansas
September 24, 2018**

FINANCIAL STATEMENTS

**Clay County Regional Water Distribution District
Comparative Statements of Net Position
For the Years Ending June 30, 2018 and 2017**

<u>ASSETS</u>		
CURRENT ASSETS	2018	2017
Cash and cash equivalents	\$ 302,068	\$ 24,533
Certificate of deposits	87,986	74,055
Accounts receivable (less allowance of \$7,777 and \$4,844, respectively)	59,028	50,716
Accrued interest receivable	1,451	
Unbilled revenue		62,985
Restricted cash	31,229	93,408
Restricted certificate of deposits	210,522	133,952
Total current assets	692,284	439,649
 NON-CURRENT ASSETS		
Restricted cash	505	191,263
Restricted certificate of deposits	266,505	38,829
Deposits with trustees	95,627	370,497
Capital assets		
Capital assets, net	5,135,178	5,447,404
Total non-current assets	5,497,815	6,047,993
TOTAL ASSETS	\$ 6,190,099	\$ 6,487,642
 <u>LIABILITIES AND NET POSITION</u>		
 CURRENT LIABILITIES		
Customer deposits	239,905	227,360
Accounts payable	34,564	23,735
Sales tax payable	6,603	5,456
Payroll taxes payable	3,475	3,470
Accrued payroll	5,595	5,635
Compensated absences	21,918	1,965
Interest payable	5,576	7,258
Current portion of long-term debt	82,599	274,630
Total current liabilities	400,235	549,509
 LONG-TERM DEBT		
Non current portion of long-term debt	2,196,197	2,278,792
TOTAL LIABILITIES	2,596,432	2,828,301
 NET POSITION		
Net investment in capital assets	2,856,381	2,893,982
Restricted for debt service	122,638	400,087
Restricted for renewal and replacement	241,846	200,502
Unrestricted	372,802	164,770
Total net position	3,593,667	3,659,341
TOTAL LIABILITIES AND NET POSITION	\$ 6,190,099	\$ 6,487,642

Clay County Regional Water Distribution District
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ending June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water revenue	\$ 934,101	\$ 890,191
Bulk water sales	69,505	46,815
Connection charges	27,070	21,817
Late charges and service fees	29,345	33,725
Billing services	19,605	20,521
Water sampling	1,375	1,375
Other	2,969	13,243
Total operating revenue	<u>1,083,970</u>	<u>1,027,687</u>
OPERATING EXPENSES		
Salaries and wages	317,782	290,675
Purchased water	211	188
Payroll taxes	24,479	23,040
Utilities	84,647	72,972
Chemicals	8,449	8,297
Repairs and supplies	73,689	145,031
Contract system repairs	20,720	19,042
Miscellaneous	1,425	1,005
Travel	2,740	2,176
Truck expense	43,907	54,642
Telephone	4,754	5,473
Utility location services	10,075	4,828
Office supplies	38,523	61,408
Insurance	34,900	37,921
Professional fees	11,267	12,048
License, dues and subscriptions	1,570	1,305
Uniforms	2,531	3,262
Employee benefits	60,823	61,348
Directors fees	6,400	6,600
Lawn service	6,150	6,150
Depreciation	330,972	335,859
Total operating expenses	<u>1,086,014</u>	<u>1,153,270</u>
OPERATING INCOME (LOSS)	<u>(2,044)</u>	<u>(125,583)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	16,607	(808)
Local grants		5,292
Insurance proceeds		10,550
Paying agent fees	(2,200)	(2,200)
Interest expense	(95,155)	(103,518)
Nonoperating revenues (expenses)	<u>(80,748)</u>	<u>(90,684)</u>
Income before other revenues, expenses, gains or losses	(82,792)	(216,267)
Adjustments to capital assets	<u>17,118</u>	
CHANGE IN NET POSITION	(65,674)	(216,267)
NET POSITION BEGINNING	3,659,341	3,875,608
NET POSITION ENDING	<u><u>3,593,667</u></u>	<u><u>\$ 3,659,341</u></u>

**Clay County Regional Water Distribution District
Comparative Statements of Cash Flows
For the Years Ending June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,138,645	\$ 1,046,947
Cash payments to suppliers for goods and services	(425,279)	(527,333)
Cash payments to employees	<u>(297,871)</u>	<u>(300,219)</u>
Net cash provided/(used) by operating activities	<u>415,495</u>	<u>219,395</u>
Cash flows from non-capital financing activities:		
Local grants		5,291
Insurance proceeds		10,550
Value of non-capital notes payable		<u>35,185</u>
Net cash provided/(used) by non-capital financing activities	<u>-</u>	<u>51,026</u>
Cash flows from capital and related financing activities:		
Funds released from trustee to District	288,303	
Principal payments on long-term debt	(79,626)	(73,567)
Interest payments on long-term debt	(88,549)	(91,676)
Payments to trustee for bond principal	(195,000)	(185,000)
Payments to trustee for bond interest and fees	(10,488)	(16,641)
Purchases of capital assets	<u>(1,628)</u>	<u>(4,700)</u>
Net cash provided/(used) by financing activities	<u>(86,988)</u>	<u>(371,584)</u>
Cash flows from investing activities:		
Interest Income	1,723	1,571
Customer meter deposit (net)	12,545	11,924
Proceeds from sales and maturities of investments	246,836	
Purchase of investments	<u>(565,013)</u>	
Net cash provided/(used) by investing activities	<u>(303,909)</u>	<u>13,495</u>
NET INCREASE IN CASH AND RESTRICTED CASH	24,598	(87,668)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	309,204	396,872
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 333,802</u>	<u>\$ 309,204</u>

**Clay County Regional Water Distribution District
Comparative Statements of Cash Flows
For the Years Ending June 30, 2018 and 2017**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income/(loss)	\$ (2,044)	\$ (125,583)
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**Adjustments to reconcile operating income (loss) to net
cash provided by operating activities:**

Depreciation	330,972	335,859
Decrease (increase) in assets/liabilities		
Accounts receivable	(8,312)	82,749
Unbilled revenue	62,985	(62,985)
Accounts payable	10,829	(3,301)
Payroll tax payable	5	2,704
Sales tax payable	1,147	(504)
Accrued compensation	(40)	(11,509)
Compensated absences	19,953	1,965
Total Adjustments	417,539	344,978

NET CASH PROVIDED BY OPERATING ACTIVITIES

	\$ 415,495	\$ 219,395
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RECONCILIATION OF CASH TO STATEMENT OF NET POSITION

Unrestricted cash	\$ 302,068	24,533
Restricted cash (current)	31,229	93,408
Restricted cash (non-current)	505	191,263
	\$ 333,802	\$ 309,204

NONCASH TRANSACTIONS

Amount earned on investments	\$ 13,433	\$ 2,211
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Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Organization

Clay County Regional Water Distribution District (the "District") is an entity organized as a non-profit corporation established under the laws of the State of Arkansas. The District was formed to operate and provide rural water services to the residents of the District.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resource measurement focus and the accrual basis of accounting. The basis of accounting determines when transactions and economic events are reflected in financial statements and measurement focus identifies which transactions and events should be recorded. The measurement focus of an enterprise fund is an economic resources measurement focus, the objectives of which are the determination of an operating income, changes in financial position and cash flow. Under an economic resource measurement focus, all assets, deferred inflows (outflows) of resources and liabilities are reported. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses

When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the District's policy to apply the expense to restricted net position to the extent such are available and then to unrestricted net position.

Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES
(continued)

C. Cash and Cash Equivalents

For the purpose of the statements of cash flows, the District considers all cash balance on hand, demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less to be cash equivalents.

D. Accounts Receivable, Net

The District allowance for doubtful accounts is based on a two-year rolling average. The allowance for doubtful accounts for June 30, 2018 and 2017 is \$7,777 and \$4,844, respectively. Accounts receivable are ordinarily due 20 days after the issuance of an invoice. Once the customer's account passes such date the water is shut-off.

E. Capital Assets

Capital assets consist of property, plant and equipment which are stated at historical cost or at estimated cost if actual historical cost information is not available. Contributed assets are recorded at their estimated fair value at the time of contribution. The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is reported as non-operating revenues or expenses. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred. Interest cost related to constructing property, plant and equipment is capitalized as part of the related asset when applicable.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Office furniture and fixtures	10 years
Office buildings	40 years
Equipment	10 years
Pumps and treatment equipment	10 years
Wells	40 years
Plant buildings	40 years
Lines and storage	40-50 years

Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES
(continued)

F. Revenue Recognition

Revenue for water supply, treatment and distributions services are recognized in the period during which the related services are provided. Accounts receivable and revenues reported on the District's financial statements include an estimate of charges for services provided, but unbilled at year end.

G. Estimates

The preparation of financial statements in accordance with GAAP required management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

The useful lives of assets comprising utility plant in service are significant estimates used to determine the amount of depreciation expenses and the net book value of utility plant in services reported in the District's financial statements.

H. Net Position

Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net positions consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

I. Taxes

The District is exempt from federal income taxes under Code Section 115 of the Internal Revenue Code.

J. Deposit with Trustee

Deposit with trustees are externally restricted funds that are held by Iberia Bank. These funds are maintained as debt reserve funds as required by the bond covenant.

Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES
(continued)

K. Compensated Absences

Employee's vested or accumulated vacation time are recorded as an expense and liability as the benefits accrue to employees and are included on the District's financial statements. Employees are granted (10) days of vacation after (1) year of service and (15) days after (10) years of service.

L. Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the District. The budget is adopted under a cash basis and does not include depreciation, certain capital expenses, and certain non-operating income and expense items. All annual appropriations lapse at year-end.

M. Customer Deposits

All new residential and commercial customers are required to place a \$75 utility deposit with the District. The customer's deposit is returned once all outstanding balances are finalized on the customer's account.

N. New Accounting Pronouncements

The following statements became effective for the fiscal year ending June 30, 2018:

- GASB Statement No. 75- *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Per GASB, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District does not offer any postemployment benefits.
- GASB Statement No. 85- *Omnibus 2018*. Per GASB, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). None of the issues addressed in this Statement affect the District.

Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES
(continued)

- GASB Statement No. 86- *Certain Debt Extinguishment Issued*. Per GASB, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District did not extinguish any early debt during the audit period.

The following statements will become effective after June 30, 2018:

- GASB Statement No. 83- *Certain Asset Retirement Obligations*
- GASB Statement No. 84- *Fiduciary Activities*
- GASB Statement No. 87- *Leases*
- GASB Statement No. 88- *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89- *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests*—an amendment of GASB Statements No. 14 and No. 61

Management has not yet determined the effects of these statements on the District's financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. In accordance with Arkansas State statutes, the District requires full collateralization of cash balances above the Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2018 and 2017, the District's carrying balance and bank balance were insured by FDIC or collateralized with securities held by the District's agent in the District's name.

**Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017**

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

Restricted cash:

Restricted assets consist of debt service reserves and renewal and replacement funds restricted by long-term debt covenants and required customers meter deposits (See note 1M)

The following is a summary of the restricted cash and cash equivalents as of June 30, 2018 and 2017

USDA Short Lives Asset	\$	845		
ANRC Depreciation Fund		1,002		
Meter Deposits		29,382	\$	93,408
Total Restricted Cash	\$	31,229	\$	93,408
Noncurrent- Restricted				
USDA Short Lives Asset			\$	160,489
ANRC Depreciation Fund				502
USDA Debt Reserve	\$	505		30,272
Total Noncurrent- Restricted Cash	\$	505	\$	191,263

Deposit with Trustees

At June 30, 2018, the District held deposits with trustees of \$95,627, these funds were invested by Iberia Bank. These funds were primarily invested in negotiable certificate of deposits. Additionally, Iberia Bank has invested in U.S. Treasury securities; they are rated AAAM by Standards and Poor's and Aaa-mf by Moody's Investors Service.

The deposit with trustee consist of funds obligated as debt service reserves for the District's bond issues, as mandated in the debt covenants.

Fair market value- The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017**

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

The fair market value of the deposits with trustee at June 30, 2018 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quotes prices for similar investments in active markets	Prices determined from the District's data	
\$ 4,731	\$ 90,896	\$ -	\$ 95,627

At June 30, 2017, the District held deposits with trustees of \$370,497 were invested by Iberia Bank and Simmons Bank. These funds were primarily invested in U.S. Treasury securities; they are rated AAAM by Standards and Poor's and Aaa-mf by Moody's Investors Service. Additionally, Iberia Bank has invested in negotiable certificate of deposits.

The deposit with trustee consist of funds obligated as debt service reserves and sinking funds for the District's bond issues, as mandated in the debt covenants.

Fair market value- The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair market value of the deposits with trustee at June 30, 2017 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quotes prices for similar investments in active markets	Prices determined from the District's data	
\$ 282,688	\$ 87,809	\$ -	\$ 370,497

NOTE 3: CERTIFICATE OF DEPOSITS

As of June 30, 2018, the District's certificate of deposits totaled \$565,013 of which \$87,986 was unrestricted and \$477,027 was restricted for customer deposits and debt service reserves.

As of June 30, 2017, the District's certificate of deposits totaled \$246,836 of which \$74,055 was unrestricted and \$172,781 was restricted for customer deposits and debt service reserves.

Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017

NOTE 4: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ending June 30, 2018 and 2017 follows:

	<u>Balance</u> <u>7/1/2017</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
Non-depreciable:					
Land	\$ 19,000	\$ -	\$ -	\$ -	\$ 19,000
Depreciable:					
Office furniture and fixtures	46,447	-	-	-	46,447
Office building	373,560	-	-	-	373,560
Equipment and tools	217,222	17,118	1,628	-	235,968
Wells	417,516	-	-	-	417,516
Lines and storage tanks	12,422,108	-	-	-	12,422,108
	13,476,853	-	1,628	-	13,495,599
Less accumulated depreciation	(8,048,449)	-	(330,972)	-	(8,379,421)
	5,428,404	-	(329,344)	-	5,116,178
Capital assets, net	<u>\$ 5,447,404</u>	<u>\$ -</u>	<u>\$ (329,344)</u>	<u>\$ -</u>	<u>\$ 5,135,178</u>
	<u>Balance</u> <u>7/1/2016</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Non-depreciable:					
Land	\$ 19,000	\$ -	\$ -	\$ -	\$ 19,000
Depreciable:					
Office furniture and fixtures	58,715	(12,268)	-	-	46,447
Office building	373,560	-	-	-	373,560
Equipment and tools	159,714	-	4,700	(52,808)	217,222
Wells	417,516	-	-	-	417,516
Lines and storage tanks	12,422,108	-	-	-	12,422,108
	13,431,613	-	4,700	(52,808)	13,476,853
Less accumulated depreciation	(7,672,493)	12,711	(335,859)	52,808	(8,048,449)
	5,759,120	12,711	(331,159)	-	5,428,404
Capital assets, net	<u>\$ 5,778,120</u>	<u>\$ 12,711</u>	<u>\$ (331,159)</u>	<u>\$ -</u>	<u>\$ 5,447,404</u>

**Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017**

NOTE 5: LONG-TERM DEBT

Changes in long-term debt consisted of the following for June 30, 2018 and 2017 are as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities To June 30, 2018
10/21/1991	10/21/2031	5%	\$ 830,600	\$ 444,920	\$ 385,680
10/21/1991	10/21/2031	5%	50,000	26,499	23,501
1/4/1999	1/4/2039	5%	623,400	472,722	150,678
4/2/2003	4/2/2043	5%	203,900	165,636	38,264
4/18/2012	4/18/2052	2.75%	1,000,000	920,281	79,719
8/28/2012	8/28/2052	2.75%	175,000	161,990	13,010
1/1/2009	12/1/2028	5%	108,150	72,088	36,062
10/15/2016	9/15/2019	0%	35,185	14,660	20,525
			<u>\$ 3,026,235</u>	<u>\$ 2,278,796</u>	<u>\$ 747,439</u>

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2017	Maturities To June 30, 2017
10/21/1991	10/21/2031	5%	\$ 830,600	\$ 470,911	\$ 359,689
10/21/1991	10/21/2031	5%	50,000	28,083	21,917
1/4/1999	1/4/2039	5%	623,400	485,480	137,920
4/2/2003	4/2/2043	5%	203,900	169,206	34,694
4/18/2012	4/18/2052	2.75%	1,000,000	936,609	63,391
8/28/2012	8/28/2052	2.75%	175,000	164,825	10,175
1/1/2009	12/1/2028	5%	108,150	76,919	31,231
5/13/2004	2/13/2018	1.5-4.25%	2,145,000	195,000	1,950,000
10/15/2016	9/15/2019	0%	35,185	26,389	8,796
			<u>\$ 5,171,235</u>	<u>\$ 2,553,422</u>	<u>\$ 2,617,813</u>

Long-term liability activity for the year ended June 30, 2018 and 2017, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 2,527,033	\$ -	\$ 262,898	\$ 2,264,135	\$ 70,871
Notes payable	26,389	-	11,728	14,661	11,728
	<u>\$ 2,553,422</u>	<u>\$ -</u>	<u>\$ 274,626</u>	<u>\$ 2,278,796</u>	<u>\$ 82,599</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 2,776,804	\$ -	\$ 249,771	\$ 2,527,033	\$ 262,902
Notes payable	-	35,185	8,796	26,389	11,728
	<u>\$ 2,776,804</u>	<u>\$ 35,185</u>	<u>\$ 258,567</u>	<u>\$ 2,553,422</u>	<u>\$ 274,630</u>

**Clay County Regional Water Distribution District
Notes to Financial Statements
For the Years Ending June 30, 2018 and 2017**

NOTE 5: LONG-TERM DEBT (continued)

Debt Service Reserve

The bond indentures requires deposits to be made into certain restricted funds and requires certain balances to be maintained in these funds. At June 30, 2018, the District had \$123,982 in reserve funds (bank accounts, certificate of deposits and deposit with trustees) restricted for debt service.

Pledged Revenue

The District has pledged future customer revenues, net of specified operating expenses, to repay bonds.

Maturities of long-term debt at June 30, 2018 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 82,599	\$ 85,575 *	\$ 168,174
2020	76,910	82,468	159,378
2021	77,227	77,456	154,683
2022	80,627	75,819	156,446
2023	84,184	72,262	156,446
2024-2028	480,324	319,234	799,558
2029-2033	400,637	212,074	612,711
2034-2038	347,458	144,011	491,469
2039-2043	264,744	79,738	344,482
2044-2048	206,911	44,904	251,815
2049-2053	177,175	15,143	192,318
	<u>\$ 2,278,796</u>	<u>\$ 1,208,684</u>	<u>\$ 3,487,480</u>

***Included interest payable at June 30, 2018 of \$5,576**

NOTE 6: RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased insurance to address these risks. There has been no significant reduction in the District's coverage during the years ended June 30, 2018 and 2017. In addition, there have been no settlements in excess of the District's coverage in any of the prior three years.

OTHER SUPPLEMENTARY
INFORMATION

**Clay County Regional Water Distribution District
Supplemental Information
Schedule of Water Rates
For the Year Ending June 30, 2018**

Water Usage Rates Year Ending June 30, 2018
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<u>Customer Rate</u>	
First 1,000 gallons	\$20.00 (minimum)
Over 1,000 gallons	5.00 per 1,000 gallons
<u>Customer Rate for Cities</u>	
First 1,000 gallons	\$1.50
Over 1,000 gallons	\$1.00 per 1,000 gallons
<u>Customer Rate for Farmers</u>	
For every 1,000 gallons	\$3.00

OTHER REQUIRED REPORT



MANDY WALKER, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO Box 792
109 E. Main Street
Tuckerman, AR 72473

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors and
Management of the Clay County Regional Water Distribution District**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities of the Clay County Regional Water Distribution District (the "District") as of and for the years ended June 30, 2018 and 2017 the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated September 24, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I considered to be material weaknesses. I did identify a certain deficiency in internal control described below that I consider to be a material weakness. The material weakness was as follows:

2018-001

Segregation of Duties

Criteria: Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements.

Condition: The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Cause: Cost/benefit implications hinder the District's ability to adequately segregate financial accounting duties among employees.

Effect or Potential Effect: Financial accounting duties are not distributed among the District's employees to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected.

Recommendation: To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

Views of responsible officials and planned corrective actions: The District is aware of the deficiency and will continue to mitigate the deficiency with increased oversight by the governing body.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

The District's response to the finding identified in my audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mandy Walker, CPA

Mandy Walker, P.A.
Tuckerman, Arkansas
September 24, 2018