

OAK GROVE WATER USERS ASSOCIATION

COMPILED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



OAK GROVE WATER USERS ASSOCIATION
DECEMBER 31, 2023 AND 2022

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors
Oak Grove Water Users Association
Van Buren, Arkansas

We have performed the procedures enumerated below on the financial and billing records of Oak Grove Water Users Association as of and for the year ended December 31, 2023. Oak Grove Water Users Association's management is responsible for the financial and billing records.

Oak Grove Water User Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose which is to comply with Arkansas Code Annotated 14-234-119 through 14-234-122 and *Guidelines for Conducting Agreed-Upon Procedures for Water and Sewer Service providers* as prepared by Arkansas Legislative Audit. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and associated findings are as follows:

(1) Cash and Investments

- A. Perform a proof of cash for the year and reconcile year-end bank balances to book balance. We concluded this procedure with no findings.
- B. Confirm with depository institutions the cash on deposit and investments. We concluded this procedure with no findings.
- C. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater. The ending balances for all accounts were within these parameters.

(2) Receipts

- 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. We concluded this procedure and found the deposits were within the parameters.

- B. Agree ten customer payments on the accounts receivable sub ledger to deposit, billing documents. We concluded this procedure with no findings.
- C. For ten deposits, agree the cash/check composition of the deposit with receipt information. We concluded this procedure with no findings.

(3) Accounts Receivable

- A. Agree ten customer billings to the accounts receivable sub ledger. We concluded this procedure with no findings.
- B. Determine that five customer adjustments were properly authorized. We concluded this procedure with no findings.

(4) Disbursements

- 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. We concluded this procedure and found the disbursements to be within the parameters.
- B. Analyze all property, plant and equipment disbursements. We concluded this procedure with no findings.
- C. Select all disbursements to employees other than payroll and ten other disbursements and determine if they were adequately documented. We concluded this procedure with no findings.

(5) Property, plant and equipment

- A. Determine that additions and disposals were properly accounted for in the records. We concluded this procedure with no findings.

(6) Long-term debt

- A. Schedule long-term debt and verify changes in all balances for the year. Not applicable as the Department had no long-term debt.
- B. Confirm loans, bond, notes and contracts payable with lender/trustee/contractor. Not applicable as the Department had no long-term debt.
- C. Determine that the appropriate debt service accounts have been established and maintained. Not applicable as the Department had no long-term debt.

(7) General

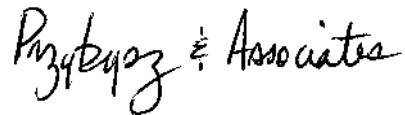
- A. Determine that any items of financial significance were approved and documented in the minutes of the Association's meetings. The minutes were provided to us and were read. We found all financially significant items to be documented.

We were engaged by Oak Grove Water Users Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial and billing records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional

procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Oak Grove Water Users Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Oak Grove Water Users Association and Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 15, 2024



To the Board of Directors
Oak Grove Water Users Association
Van Buren, Arkansas

Management is responsible for the accompanying financial statements of the Oak Grove Water Users Association, which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 15, 2024

FINANCIAL STATEMENTS

OAK GROVE WATER USERS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 929,614	\$ 1,277,270
Certificates of deposit	464,899	199,230
Accounts receivable, less allowance for doubtful accounts of \$3,000	9,161	5,394
Prepaid insurance	1,265	1,206
Total Current Assets	1,404,939	1,483,100
Restricted Assets		
Savings account	96,658	93,603
Total Restricted Assets	96,658	93,603
Property, Plant and Equipment		
Land	151,577	95,470
Office equipment	1,941	1,941
Water system	3,772,420	3,772,420
Construction in process	308,101	74,932
Total	4,234,039	3,944,763
Less accumulated depreciation	(1,603,352)	(1,520,532)
Total Property, Plant and Equipment	2,630,687	2,424,231
Total Assets	\$ 4,132,284	\$ 4,000,934
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 50,042	\$ 53,610
Payroll taxes payable	1,543	864
Sales tax payable	3,887	3,505
Customer meter deposits	96,658	93,603
Total Current Liabilities	152,130	151,582
Total Liabilities	152,130	151,582
Net Assets		
Without restrictions	3,980,154	3,849,352
Total Net Assets	3,980,154	3,849,352
Total Liabilities and Net Assets	\$ 4,132,284	\$ 4,000,934

See accompanying notes to financial statements.

OAK GROVE WATER USERS ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Revenues Without Donor Restrictions		
Water revenue	\$ 646,875	\$ 617,995
Interest income	9,041	3,072
Total Revenues Without Donor Restrictions	655,916	621,067
Program Services		
Billings	5,739	8,202
Depreciation	82,820	82,820
Dues and memberships	-	525
Engineering fees	390	10,235
Insurance	4,676	4,222
Interest Expense	33	30
Payroll taxes	1,527	1,523
Repairs and maintenance	9,640	12,725
Salaries and wages	18,250	18,250
Supplies	2,367	2,178
Travel expense	3,647	3,600
Utilities	1,260	1,117
Water purchased	381,326	362,670
Total Program Services	511,675	508,097
Management and General		
Legal and accounting	3,500	5,500
Miscellaneous	1,921	5,212
Office expense	256	150
Payroll taxes	512	512
Salaries and wages	7,250	7,250
Total Management and General	13,439	18,624
Total Expenses	525,114	526,721
Change in Net Assets	130,802	94,346
Net Assets at Beginning of Year	3,849,352	3,755,006
Net Assets at End of Year	\$ 3,980,154	\$ 3,849,352

See accompanying notes to financial statements.

OAK GROVE WATER USERS ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 130,802	\$ 94,346
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	82,820	82,820
(Increase) decrease in:		
Accounts receivable	(3,767)	3,966
Prepaid insurance	(59)	(79)
Increase (decrease) in:		
Trade accounts payable	(24,256)	(63,178)
Payroll taxes payable	679	(7)
Sales tax payable	382	221
Customer meter deposits	3,055	3,390
Net Cash Provided By Operating Activities	189,656	121,479
Cash Flows From Investing Activities		
Cash paid for infrastructure improvements	(268,587)	(99,481)
Cash received from closing out certificates of deposit	197,682	-
Purchase certificate of deposits	(454,781)	-
Reinvestment of earnings on certificates of deposit	(8,571)	(2,433)
Net activity of restricted cash	(3,055)	(3,390)
Net Cash Used By Investing Activities	(537,312)	(105,304)
Increase (Decrease) In Cash And Cash Equivalents	(347,656)	16,175
Cash and Cash Equivalents - beginning of year	1,277,270	1,261,095
Cash and Cash Equivalents - end of year	\$ 929,614	\$ 1,277,270
Supplemental Disclosure of Non-Cash Investing Activities		
Water line improvements incurred during the year	\$ 289,275	\$ 125,859
Less: construction payable	(20,688)	(26,378)
Cash paid for water line improvements	\$ 268,587	\$ 99,481

See accompanying notes to financial statements.

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Operations

Oak Grove Water Users Association (the Association) was formed to provide water to the residents of the Oak Grove Community.

1. Summary of Significant Accounting Policies

Recently Issued Accounting Standards

The Association adopted the following standard during the year ended December 31, 2023:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing "right of use" lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. There was no impact from this standard.

The Association adopted the following standard during the year ended December 31, 2022:

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets. This ASU increases the transparency of contributed non-financial assets through enhancements to presentation and disclosure. The Association adopted this ASU during the year and added the appropriate disclosures.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenue at the point when it is earned rather than received and expenses are recognized when the liability is incurred rather than paid.

Functional Allocation of Expenses

The costs incurred in operating the Association have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

Net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Net assets with donor restrictions - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Association. The Association does not have any net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>LIFE</u>
Office equipment	5-8
Water system	40-70

It is the Association's policy to capitalize asset purchases equal to or more than \$500. Expenditures of less than \$500 are expensed at the time of purchase.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Association no longer services the customer. The Association uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Advertising

It is the policy of the Association to expense advertising cost as they are incurred.

Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding restricted cash.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Association's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Association's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

2. Income Tax Status

The Association's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal or state, current or deferred income taxes has been included in the accompanying financial statements. The Association is not a private foundation. Management has determined that the Association is not subject to unrelated business income tax. Management is not aware of any transactions that would impact the Association's tax-exempt status.

The Association follows the guidance of the Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the year ended December 31, 2023, management of the Association is not aware of any material uncertain tax positions.

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Income Tax Status (continued)

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

3. Bank Deposits

The Association maintains its operating bank accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. In addition, some deposits are collateralized by the bank through the pledging of securities. At December 31, 2023 and 2022, all of the Association's deposits were insured and/or collateralized. The Association does not believe that there is any significant risk associated with the concentrations of credit nor has the Association experienced any losses in such accounts.

4. Restricted Assets

The Association collects a deposit from each member before service is started. The deposits are accumulated in an account and refunded when a member discontinues water service and the final bill has been paid. This customer deposit fund is restricted to insure that monies are available to be refunded to a member upon discontinuance of service. The balance at December 31, 2023 and 2022 was \$96,658 and \$93,603.

5. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2023	Additions & Contributions	Retirements / Transfers	December 31, 2023
Land	\$ 95,470	\$ 56,107	\$ -	\$ 151,577
Office equipment	1,941	-	-	1,941
Water system	3,772,420	-	-	3,772,420
Construction in process	74,932	233,169	-	308,101
Total	\$ 3,944,763	\$ 289,276	\$ -	\$ 4,234,039

As Of	January 1, 2022	Additions & Contributions	Retirements / Transfers	December 31, 2022
Land	\$ 44,543	\$ 50,927	\$ -	\$ 95,470
Office equipment	1,941	-	-	1,941
Water system	3,578,633	193,787	-	3,772,420
Construction in process	193,787	74,932	193,787	74,932
Total	\$ 3,818,904	\$ 319,646	\$ 193,787	\$ 3,944,763

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Capital Assets (continued)

The Association is in the process of building a .5MG Elevated Tank and pump Station. They are in the process of trying to figure out how they are going to get funding for this project. As of December 31, 2023 they have spent a total of \$308,101 on the project which the majority of that going to design phase. They do not have an estimated total cost or completion date due to them still in the planning phase and looking for funding.

6. Accrued Compensated Absences

It is the Association's policy not to permit employee's to accumulate earned but unused vacation and sick pay benefits. Accordingly no liability is reported for unpaid accumulated sick leave or vacation time.

7. Concentrations of Credit Risks

Financial instruments that potentially subject the Association to credit risk consist primarily of accounts receivable. The Association sells only to its members in and around Van Buren, Arkansas.

8. Liquidity and Funds Available

The Association's primary sources of support are federal and state assistance, membership dues, and conference fees. Most of that support is required to be used in accordance with purpose restrictions imposed by the award agreements. The following table reflects the Association's financial assets as of December 31, 2023 and 2022. As show on the face of the statement of financial position and summarized below, most of the Association's financial assets are not subject to donor-imposed restrictions on use:

As of December 31,	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 929,614	\$ 1,277,270
Certificates of deposit	464,899	199,230
Restricted savings account	96,658	93,603
Accounts receivable	9,161	5,394
Total financial assets available	1,500,332	1,575,497
Contractual or donor imposed restrictions:		
Restricted savings account	(96,658)	(93,603)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 2,904,006	\$ 3,057,391

OAK GROVE WATER USERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

9. Subsequent Events

The Association has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through February 15, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.