

HIGHWAY 4 & 24 WATER ASSOCIATION



CHIDESTER, ARKANSAS

JULY 31, 2021

HIGHWAY 4 & 24 WATER ASSOCIATION
CHIDESTER, ARKANSAS

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Chidester, Arkansas

We have performed the procedures enumerated below on the accounting records of Highway 4 & 24 Water Association as of and for the year ended July 31, 2021. Highway 4 & 24 Water Association's management is responsible for the entity's accounting records.

Highway 4 & 24 Water Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. 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 purposes.

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 balances.
- 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.

We found no exceptions as a result of the procedures.

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.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

Step 3.b. could not be completed. This information was not available.

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.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Step 4.c. could not be completed. This information was not available.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

6. Long-Term Debt

- 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.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedure.

We were engaged by Highway 4 & 24 Water 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 accounting records of Highway 4 & 24 Water Association. 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 Highway 4 & 24 Water Association and to meet 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 Highway 4 & 24 Water Association and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
September 5, 2024

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Highway 4 & 24 Water Association
Chidester, Arkansas

Management is responsible for the accompanying financial statements of Highway 4 & 24 Water Association (a nonprofit organization), which comprise the statement of net position as of July 31, 2021, and the related statements of revenues, expenses and changes in net position, 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.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
September 5, 2024

HIGHWAY 4 & 24 WATER ASSOCIATION
STATEMENT OF NET POSITION
JULY 31, 2021

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ASSETS

CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 141,464
Accounts Receivable	47,566
TOTAL CURRENT ASSETS	<u>189,030</u>
RESTRICTED ASSETS:	
Restricted Cash - Meter Deposits	73,436
Restricted Cash - Emergency Fund	16,456
Restricted Cash - Depreciation	127,397
Restricted Certificate of Deposit - Debt Service	105,619
TOTAL RESTRICTED ASSETS	<u>322,908</u>
PROPERTY, PLANT AND EQUIPMENT:	
Land	811
Buildings	11,285
Water System	3,164,830
Equipment	49,837
	<u>3,226,763</u>
Less: Accumulated Depreciation	<u>(2,278,862)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	947,901
TOTAL ASSETS	<u><u>\$ 1,459,839</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts Payable	\$ 85
Current portion of Long-Term Debt	69,617
TOTAL CURRENT LIABILITIES	<u>69,702</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Meter Deposits Payable	59,571
LONG-TERM LIABILITIES:	
Notes Payable	801,532
TOTAL LIABILITIES	<u>930,805</u>
NET POSITION:	
Restricted	263,337
Unrestricted	265,697
TOTAL NET POSITION	<u>529,034</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,459,839</u></u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HIGHWAY 4 & 24 WATER ASSOCIATION
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR YEAR ENDED JULY 31, 2021

OPERATING REVENUES:	
Customer Collections	\$ 618,123
Other Income	101
TOTAL REVENUES	<u>618,224</u>
OPERATING EXPENSES:	
Water Purchases	158,845
Billing	21,312
Contract Labor	70,833
Depreciation Expense	83,208
Dues and Subscriptions	6,388
Fees	4,945
Insurance	7,843
Legal and Professional	5,298
Travel	16,542
Office Expense	2,175
Payroll Taxes	312
Utilities	12,696
Repairs and Maintenance	63,307
Sales Tax	50,810
Miscellaneous	2,412
TOTAL OPERATING EXPENSES	<u>506,926</u>
OPERATING INCOME	<u>111,298</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	3,755
Interest Expense	<u>(44,691)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(40,936)
NET INCOME (LOSS)	70,362
NET POSITION - BEGINNING OF YEAR	458,672
NET POSITION - END OF YEAR	<u><u>\$ 529,034</u></u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HIGHWAY 4 & 24 WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR YEAR ENDED JULY 31, 2021

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	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 633,418
Cash Payments for Goods and Services	<u>(455,828)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>177,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in Meter Deposits	<u>5,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Long-Term Debt	(65,994)
Interest Paid on Long-Term Debt	(44,691)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(110,685)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Certificates of Deposit	(3,494)
Interest Received	<u>3,755</u>
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>261</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>72,673</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	286,080
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 358,753</u></u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HIGHWAY 4 & 24 WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR YEAR ENDED JULY 31, 2021

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Reconciliation of operating income to net cash flow from operating activities:

	<u>2021</u>
OPERATING INCOME	<u>\$ 111,298</u>
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Depreciation	83,208
Change in Assets and Liabilities:	
Accounts Receivable	15,194
Accounts Payable	<u>(32,110)</u>
TOTAL ADJUSTMENTS	<u>66,292</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u><u>\$ 177,590</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HIGHWAY 4 & 24 WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

Note 1. Significant Accounting Policies:

The Highway 4 & 24 Water Association was formed as a domestic non-profit corporation, without capital stock, on June 14, 1984, under the laws of the State of Arkansas, for the primary purpose of associating members together for their mutual benefit to construct, maintain and operate a private water system for the supplying water to its members, in designated areas of Ouachita County, Arkansas and Nevada County, Arkansas, and engage in any activity related thereto. An elected Board of Directors conducts operations of the corporation.

The accounting policies of the Highway 4 & 24 Water Association are designed to conform to accounting principles generally accepted in the United States of America applicable to domestic non-profit corporations engaged in the supplying water to its members, applying the principles which require that net assets of the non-profit corporation be classified as either with donor restrictions or without donor restrictions based on their nature and the existence or absence of specific restrictions.

The Highway 4 & 24 Water Association uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when they are incurred. Unrecorded billings for water and other services are recorded at year-end and unpaid incurred expenditures are recorded at year-end.

For purposes of the Statement of Cash Flows, the Highway 4 & 24 Water Association considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The Highway 4 & 24 Water Association, member water usage is billed to the users (members) in the month of usage and recorded as accounts receivable.

Property and equipment are valued at historical cost. Donated property and equipment are valued at their estimated fair market value on the date donated.

The Highway 4 & 24 Water Association accounts for its property and equipment on a cost of service or "capital maintenance" measurement focus, i.e., all assets or liabilities (whether current or non-current) is included on its balance sheet.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimate service lives, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings	20 Years
System Lines and Tanks	40 Years
Survey Cost and Administration	15 Years
System Equipment	7 Years
Office Equipment	5 Years

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

Management has evaluated subsequent events through September 5, 2024, the date the financial statements were available for issuance.

HIGHWAY 4 & 24 WATER ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 JULY 31, 2021

Note 2. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements and internally designed restrictions. Cash restricted for debt service requirements at July 31, 2021 was \$105,619.

The Highway 4 & 24 Water Association maintains cash equal to customers' meter deposits in a meter deposit checking account. The account is reflected as a restricted asset and the corresponding liability as a liability payable from restricted assets. Cash restricted for meter deposits at July 31, 2021 was \$73,436.

The Highway 4 & 24 Water Association maintains funds in a depreciation account for water, restricted account, which totaled \$127,397 on July 31, 2021.

The Highway 4 & 24 Water Association maintains funds in an emergency account for water, restricted account, which totaled \$16,456 on July 31, 2021.

Note 3. Property, Plant and Equipment:

Property, plant and equipment activity for the year ended July 31, 2021 was as follows:

	7/31/2020			7/31/2021
	<u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u>
Property, Plant and Equipment:				
Land	\$ 811	\$ -	\$ -	\$ 811
Buildings	11,285	-	-	11,285
Water System	3,164,830	-	-	3,164,830
Equipment	49,837	-	-	49,837
	<u>3,226,763</u>	<u>-</u>	<u>-</u>	<u>3,226,763</u>
Less Accumulated Depreciation	<u>(2,195,654)</u>	<u>(83,208)</u>	<u>-</u>	<u>(2,278,862)</u>
NET	<u>\$ 1,031,109</u>	<u>\$ (83,208)</u>	<u>\$ -</u>	<u>\$ 947,901</u>

HIGHWAY 4 & 24 WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

Note 4. Long-Term Debt:

Long-Term Debt as of July 31, 2021 consisted of the following:

	7/31/2021
Loan payable to USDA; monthly payments of \$2,778, interest at 5.00%, current portion is \$22,002, maturing in May 2030.	\$ 236,673
Loan payable to USDA; monthly payments of \$246, interest at 5.00%, current portion is \$1,961, maturing in March 2030.	20,706
Loan payable to USDA; monthly payments of \$3,477, interest at 5.00%, current portion is \$26,029, maturing in July 2031.	325,727
Loan payable to USDA; monthly payments of \$1,724, interest at 4.50%, current portion is \$10,682, maturing in October 2036.	227,215
Loan payable to ANRC; annual payments of \$11,984, interest at 5.00%, current portion is \$8,943, maturing in January 2027.	60,828
	871,149
Less portion considered current	(69,617)
Total long-term debt	\$ 801,532

Aggregate maturities of long-term debt as of July 31, 2021 are as follows:

	Principal	Interest	Total
2022	\$ 69,617	\$ 41,067	\$ 110,684
2023	73,112	37,572	110,684
2024	76,784	33,900	110,684
2025	80,639	30,045	110,684
2026	84,689	25,995	110,684
Thereafter	486,308	78,455	564,763
Total	\$ 871,149	\$ 247,034	\$ 1,118,183

Note 5. Deposits and Investments:

At July 31, 2021, the carrying value of the Highway 4 & 24 Water Association's accounts, deposits and investments was \$464,372. The bank balances before reduction of outstanding items were \$464,372. Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program.

	Cadence Bank	Farmers Bank	US Bank
Bank Carrying Balance	\$ 285,317	\$ 73,436	\$ 105,619
FDIC Insurance Coverage	250,000	73,436	105,619
Uncollateralized Funds	\$ 35,317	\$ -	\$ -