

**SPADRA-GOOSE CAMP
WATER USERS' ASSOCIATION**

Independent Accountant's Compilation Report,
Independent Accountant's Report
On Applying Agreed-Upon Procedures
and
Financial Statements
December 31, 2022

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Table of Contents

	<u>PAGE</u>
Accountant's Report	1
Financial Statements	5
Notes to Financial Statements.....	9

King & Jacobs & Lorfing

Certified Public Accountants • Since 1958

Adele King Jacobs, CPA

Rhonda B. Lorfing, CPA

1216 South Rogers

Clarksville, AR 72830


T: 479.754.2478

F: 479.754.2473

To the Board of Directors
Spadra-Goose Camp Water Users' Association
Clarksville, Arkansas 72830

Management is responsible for the accompanying financial statements of Spadra-Goose Camp Water Users' Association (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and cash flows for the year 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



King, Jacobs & Lorfing, CPAs, PA
Clarksville, Arkansas
November 13, 2023

King & Jacobs & Lorfing

Certified Public Accountants • Since 1958

Adele King Jacobs, CPA

Rhonda B. Lorfing, CPA

1216 South Rogers

Clarksville, AR 72830

T: 479.754.2478

F: 479.754.2473

Independent Accountants' Report On Applying Agreed-Upon Procedures

Board of Directors
Spadra-Goose Camp Water Users' Association
Clarksville, Arkansas 72830

We have performed the procedures enumerated below which were agreed to by Spadra-Goose Camp Water Users' Association as of and for the year ended December 31, 2022. Spadra-Goose Camp Water Users' Association's management is responsible for the Association's accounting records and the sufficiency of the requested procedures.

Spadra-Goose Camp Water Users' Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of Ark. Code Ann. 14-234-119 through 122 reporting. Additionally, the State of Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate to meet 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 the reports 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:

Cash and Investments

- a. Perform a proof of cash and reconcile year-end bank balances to book balance.
- b. Confirm with the 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 above procedures.

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 receipt information.

We found no exceptions with part a. and b. An exception to the c. deposits is:

Daily receipt from 12/13/2022 was processed but part of the deposit for \$1,060.17 which was cash and money orders was not deposited into the bank in December 2022. After asking for more information regarding this discrepancy, we have been informed that it was deposited on November 6, 2023.

Accounts Receivable

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

We found no exceptions as a result of the above procedures.

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.

We found no exceptions as a result of the above procedures.

Property, Plant and Equipment

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

We found no exceptions as a result of the above procedures.

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 with part a. and b. Exceptions to the c. debt service accounts are:

Spadra-Goose Camp Water Users' Association is also required by the USDA to set aside \$6,733 annually into a separate account an amount sufficient enough to establish and maintain reserves to assure for the replacement of short-lived assets which have a useful life significantly less than the repayment period of the debt. As of December 31, 2022, the \$6,733 required deposit was not made into the Asset Reserve account. Balance in the account as of December 31, 2022 was \$1,019.

General

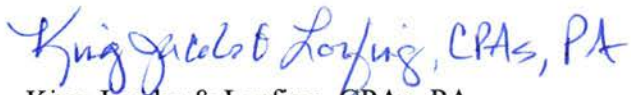
- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the above procedure.

We were engaged by Spadra-Goose Camp 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 on the accounting records and sufficiency of the agreed upon procedures. 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 Spadra-Goose Camp Water Users' Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Spadra-Goose Camp Water Users' Association and Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than these specified parties.



King Jacobs & Lorfing, CPAs, PA

November 13, 2023

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Statements of Financial Position
December 31, 2022
(unaudited)

ASSETS

	<u>2022</u>
Current Assets	
Cash	\$ 1,560
Cash in Bank - Revenue	1,204
Cash in Bank - O & M	423
Assets Limited as to Use-Current	2,767
Accounts Receivable	23,962
Unbilled Receivables	2,934
Employee Receivable	1,330
Prepaid Expenses	473
Total Current Assets	<u>34,654</u>
Assets Limited as to Use	
Debt Reserve	7,544
Asset Account	1,019
Meter Deposits	8,743
	<u>17,306</u>
Less amounts required to meet current liabilities	<u>(2,767)</u>
Total Assets Limited as to Use, net	<u>14,538</u>
Property, Plant, and Equipment, at cost	
Buildings	34,468
Water System and Equipment	559,872
Land	7,422
Office Equipment	8,449
Total Property, Plant and Equipment	<u>610,211</u>
Accumulated Depreciation	<u>(417,522)</u>
Property, Plant, and Equipment, net	<u>192,689</u>
Total Assets	<u><u>\$ 241,881</u></u>

See accompanying notes and accountants' compilation report.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Statements of Financial Position
December 31, 2022
(unaudited)

LIABILITIES AND NET ASSETS

	<u>2022</u>
Current Liabilities	
Accounts Payable	\$ 27,098
Accrued Expenses	2,981
Current Due on Long-Term Debt	<u>2,674</u>
Total Current Liabilities	32,753
 Meter Deposits (payable from Assets Limited as to Use)	 14,702
 Long-Term Debt	 <u>115,470</u>
Total Liabilities	<u>162,925</u>
 Net Assets	
Without Donor Restrictions	<u>78,955</u>
Total Net Assets	<u>78,955</u>
Total Liabilities and Net Assets	<u><u>\$ 241,881</u></u>

See accompanying notes and accountants' compilation report.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Statement of Activities
For the Years Ended December 31, 2022
(unaudited)

Operating Revenue	2022
Water Sales	\$ 164,590
Water Taps & Regulators	1,150
Late Charges	9,171
Interest Income	17
Total Operating Revenue	<u>174,928</u>
Direct Operating Expense	
Water Purchases	96,840
Labor	16,536
Payroll Taxes	2,028
Depreciation	13,746
Pipe and Supplies	2,016
Contract Labor	480
Bad Debt	9,972
Repairs and Maintenance	4,771
Utilities	6,787
Total Direct Operating Expense	<u>153,175</u>
Gross Profit (Loss)	<u>21,753</u>
General and Administrative Expenses	
Auto	3,375
Insurance	6,581
Interest Expense	4,922
Legal and Accounting	491
Miscellaneous & Late Fees	1,062
Depreciation	1,935
Office Supplies	3,978
Dues & Permits	756
Payroll Taxes	1,082
Labor	21,000
Total General and Administrative Expenses	<u>45,184</u>
Net Income (Loss) from Operations	<u>(23,431)</u>
Other Income (Expense)	
Miscellaneous Income	<u>25</u>
Total Other Income (Expenses)	<u>25</u>
Increase in Net Assets Without Donor Restrictions	<u>(23,405)</u>
Net Assets, Beginning of Year	<u>102,361</u>
Net Assets, End of Year	<u><u>\$ 78,955</u></u>

See accompanying notes and accountants' compilation report

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Statements of Cash Flows
For the Years Ended December 31, 2022
(unaudited)

	<u>2022</u>
Cash Flows from Operating Activities:	
Net Income from Operations	<u>\$ (23,431)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	15,681
(Increase) Decrease in Accounts Receivable	(2,527)
(Increase) Decrease in Unbilled Receivables	(1,045)
(Increase) Decrease in Employee Receivables	600
(Increase) Decrease in Prepaid Expenses	387
Increase (Decrease) in Accounts Payable	16,239
Increase (Decrease) in Accrued Liabilities	(3,922)
Total Adjustments	<u>25,413</u>
Net Cash Provided (Used) by Operating Activities	<u>1,983</u>
Cash Flows from Investing Activities:	
Customer Deposit Increase (Decrease)	500
Non-Operating Charges	25
(Increase) Decrease in Assets Limited As To Use	1,487
Net Cash Provided (Used) by Investing Activities	<u>2,013</u>
Cash Flows from Capital & Related Financing Activities:	
Principal Payments Long-Term Debt	(2,823)
Net Cash Provided (Used) by Financing Activities	<u>(2,823)</u>
Net Increase (Decrease) in Cash and Equivalents	1,172
Cash and Cash Equivalents, Beginning of Year	<u>2,015</u>
Cash and Cash Equivalents, End of Year	<u><u>3,187</u></u>
Supplemental Cash Flow Information:	
Cash Paid During the Period for Interest Expense	<u><u>\$ 4,922</u></u>

See accompanying notes and accountants' compilation report

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION

Notes to Financial Statements

December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Activities

The Spadra-Goose Camp Water Users' Association is a not-for-profit association established as a provider of water to rural areas in Johnson County, Arkansas. The Association's primary funding source is water sales.

(B) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(C) Income Taxes

The Association is exempt from Federal income taxes under Internal Revenue Code Section 501(c) (12) and therefore has made no provision for Federal income taxes. The Association has no excise or unrelated business income.

(D) Depreciation

Fixed assets are stated at cost for purchased assets and at fair market value at date of gift for donated assets with a useful life of greater than one year and cost over \$250. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Rates used for computing depreciation are as follows:

<u>Assets</u>	<u>Rate</u>
Buildings	4.00%
Pump Stations & Tanks	2.00-6.67%
Furniture, Fixtures & Equipment	10.00-20.00%

Depreciation expense for 2022 and 2021 was \$15,681 and \$15,675 respectively.

(E) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(F) Concentration of Credit Risk

Financial instruments that potentially subject the Association to credit risk consist of accounts receivable from customers. Meter security deposits are required from customers to reduce the credit risk. The gross revenue from four major customers with sales over \$3,000 was \$18,411 for 2022, which is 11.19% of gross revenue, and for 2021, there were four major customers with sales over \$3,000 was \$19,044 which was 12.67% of gross revenue.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION

Notes to Financial Statements

December 31, 2022

(G) Revenue Recognition

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Contributions are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. No contributions were received in either 2022 or 2021.

(H) Cash & Cash Equivalents

For the purposes of the Statements of Cash Flows, the Association considers all checking accounts, savings accounts, certificates of deposits, and highly liquid debt instruments purchased with a maturity of three months or less whose use is not limited to be cash and cash equivalents.

(I) Bad Debt Write-Off

The Association uses the direct write-off method for receivables. There was \$9,972 of bad debt written off in 2022. There was no bad debts written off in 2021.

(2) CASH DEPOSITS

At December 31, 2022 the cash book balance of Spadra-Goose Camp Water Users' Association was \$20,493, and the bank balance was \$26,889. Of the bank balance, \$26,889 was insured by the federal depository insurance.

(3) RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Association carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years. The current coverage is listed below.

Expiration Dates	Company	Policy	Amount of Coverage	Description of Coverage
03/08/23	EMC Insurance	3A53599-23	\$203,444	Tanks
03/08/23	EMC Insurance	3A53599-23	\$85,160	Pump Station
03/08/23	EMC Insurance	3H53599-23	\$1,000,000	Workers Compensation
03/08/23	EMC Insurance	3D53599-23	\$2,000,000	General Liability
03/08/23	EMC Insurance	3F53599-23	\$11,460	Employee Theft-Crime
03/08/23	EMC Insurance	3K53599-23	\$1,000,000	Professional Liability
03/08/23	EMC Insurance	3Q53599-23	\$50,000	Cyber
03/08/23	EMC Insurance	3C53599-23	\$25,000	Inland Marine – Contr. Equip.
03/08/23	EMC Insurance	3E53599-23	1,000,000	Commercial Auto
12/26/23	Progressive	954346391	1,000,000	Commercial Auto

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Notes to Financial Statements
December 31, 2022

(4) LONG-TERM DEBT

Long-term debt of Spadra-Goose Camp Water Users' Association consists of the following:

	<u>2022</u>
(A) Loan payable to USDA Rural Development collateralized by a real estate mortgage on the real and personal property of the system. The loan is payable in monthly installments of \$364.00 over 40 years at 4.5% interest.	\$ 66,114
(B) Loan payable to USDA Rural Development collateralized by a real estate mortgage on the real and personal property of the system. The loan is payable in monthly installments of \$260.00 over 40 years at 3.625% interest.	<u>52,030</u>
Total Debt	118,144
Less: Current Installments	<u>(2,674)</u>
Total Long-Term Debt	<u>\$ 115,470</u>

Long-Term Debt maturing in the next five years and after consists of:

	Principal	Interest
2023	2,674	4,814
2024	2,772	4,716
2025	2,901	4,587
2026	3,022	4,466
2027	3,148	4,340
2028 -- 2032	17,805	19,635
2033 -- 2037	21,872	15,568
2038 -- 2042	26,864	10,576
2043 -- 2047	33,011	4,429
2048	4,073	55
Total Debt	<u>\$118,144</u>	<u>\$73,184</u>

(5) DEBT REQUIREMENTS

Spadra-Goose Camp Water Users' Association is required by the USDA to set aside into a reserve account the sum of \$63 per month until the sum of \$7,488 is reached beginning October 2009. As of December 31, 2022, the debt reserve account was fully funded.

Spadra-Goose Camp Water Users' Association is also required by the USDA to set aside \$6,733 annually into a separate account an amount sufficient enough to establish and maintain reserves to assure for the replacement of short-lived assets which have a useful

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION
Notes to Financial Statements
December 31, 2022

life significantly less than the repayment period of the debt. As of December 31, 2022, the \$6,733 required deposit was not made into the Asset Reserve account due to severe water loss in previous years. Balance in the account at December 31, 2022 was \$1,019.

(6) METER DEPOSITS

In previous years the meter deposit bank account was used due to severe water loss. As of December 31, 2022, \$14,702 is the customer deposit payable balance and the balance in the bank account was \$8,743 which is a difference of \$5,959.

(7) WATER RATES AND GALLONS BOUGHT AND SOLD

Spadra-Goose Camp Water Users' Association 2022 rates for water service are
\$38.46 first 1,000 gallons; .00981 per gallon after 1,000

Connection fees are either \$375 or \$575 depending on the type of connection, and meter deposits are \$60 for home owners, and \$150 for rentals. The Association purchased 16,031,000 gallons of water and sold 10,958,198 gallons, for a loss rate of 31.64%.

(8) CONCENTRATIONS

Concentrations that could affect the operations of the system are the small geographic area of the system and one supplier of their water, which is Hartman Water Department.

(8) INCOME TAXES

The Spadra-Goose Camp Water Users' Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. As a result, no provision for current or deferred income tax liability is recognized in the Association's books and records. The Association evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740, *Income Taxes* (formerly FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes*). This standard requires certain disclosures about uncertain income tax positions. When tax returns are filed, it is probable that most tax positions would be sustained upon examination by taxing authorities. However, it is also possible that some positions might be subject to uncertainty. The Association evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the organization would be presented in other expenses in the statement of activities.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION

Notes to Financial Statements

December 31, 2022

Management does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Association has filed all applicable tax returns. Currently, the Association has no open examinations with either the Internal Revenue Service or state taxing authorities and the Association believes it is no longer subject to income tax examinations for years before 2018. Years that are open for examination are 2019, 2020, 2021, and 2022.

(9) SUBSEQUENT EVENTS

A letter from Legislative Joint Auditing Committee was received on January 11, 2022 which requested the steps taken to correct the findings of the Agreed Upon Procedures Report for year ending December 31, 2020.

A response letter was sent on January 23, 2022, stating that repayment of employee credit card charges will be paid monthly until funds are repaid and the money from the \$500 check will be deposited into the bank. During 2022, Karen Shook repaid \$600 of the \$1,930 owed to Spadra-Goose Camp Water and \$500 cash deposit was made on January 3, 2022.

A letter from Legislative Joint Auditing Committee to Fifth Judicial District Prosecuting Attorney was sent on February 4, 2022 which listed two disbursements to an employee that were not adequately documented. The first being the used of company credit card for personal expenses and the second was the \$500 check made out to an employee.

The board met with Jimmy Locke, senior auditor for Arkansas Legislative Audit, on October 19, 2023 to implement steps to prevent any further occurrences. The board intends to monitor the finances closer, approve accounts payable, and monitor accounts receivable. A letter was written on October 25, 2023 to Legislative Audit from the board outlining these steps and the continued monitoring of the payback for the misuse of the business credit card.

Subsequent events were evaluated through November 13, 2023 which is the date that the financial statements were available to be issued.