

**MORNING STAR WATER ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	
Applying Agreed Upon Procedures	1
Compilation Report	4
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Statement of Functional Expenses	8

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
Morning Star Water Association

We have performed the procedures enumerated below for the Morning Star Water Association, ("the Organization"), for the year ended December 31, 2021. The Organization's management is responsible for accounting records.

Morning Star Water Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of issuing a report on findings based on specific procedures performed on subject matter. 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:

Cash and Investments

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

***Findings: No findings identified.***

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

***Findings: No findings identified.***

### Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

**Findings:** *No findings identified.*

### Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

**Findings:** *No findings identified.*

### Property, Plant, and Equipment

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

**Findings:** *No findings identified.*

### Long-Term Debt

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

**Findings:** *No findings identified.*

### General

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

**Findings:** *No findings identified.*

We were engaged by the Organization 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. 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 the Organization 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 the Organization, USDA Rural Development, and Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

*Searcy & Associates LLC*

Monticello, Arkansas  
September 30, 2023

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Board of Directors  
Morning Star Water Association

Management is responsible for the accompanying financial statements of Morning Star Water Association, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended 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 assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United State of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organizations' financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not required part of the basic financial statements. Such information is the responsibility of management, the supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Monticello, Arkansas  
September 30, 2023

**MORNING STAR WATER ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
For the Year Ended December 31, 2021

	2021
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 231,513
Accounts receivable (net)	25,964
Total current assets	257,477
 <u>Property and equipment</u>	
Water system and improvements	2,124,122
Land	8,239
Less: Accumulated depreciation	(1,787,816)
Total property and equipment	344,545
 <u>Restricted assets</u>	
Cash reserve - meter deposits	73,412
Cash reserve - debt reserve	68,472
Total other assets	141,884
Total assets	\$ 743,906
 <u>Liabilities and Net Assets</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 4,942
Current portion of notes payable	13,604
Total current liabilities	18,546
 <u>Long term liabilities</u>	
Notes payable, net of current amount	202,794
Customer deposits	73,412
Total long term liabilities	276,206
Total liabilities	294,752
 <u>Net assets</u>	
Net assets without restrictions	380,682
Net assets with restrictions	68,472
Total net assets	449,154
Total liabilities and net assets	\$ 743,906

See Independent Accountant's Compilation Report.

**MORNING STAR WATER ASSOCIATION**  
**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021

---

	<u>2021</u>
<u>Changes in net assets</u>	
Revenues	
Water services	\$ 289,755
Other operating income	-
Total revenues	<u>289,755</u>
Expenses	
Operating expenses	261,017
General and administrative	47,458
Total expenses	<u>308,475</u>
Income (loss) from operations	(18,720)
Non-operating income (expense)	
Interest income	739
Interest expense	(10,472)
Total non-operating income (expense)	<u>(9,733)</u>
<u>Change in net assets</u>	(28,453)
<u>Net assets, beginning of year</u>	<u>477,607</u>
<u>Net assets, end of year</u>	<u>\$ 449,154</u>

See Independent Accountant's Compilation Report.



**MORNING STAR WATER ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2021

	2021
<u>Cash flows from operating activities</u>	
Income from operations	\$ (18,720)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	69,620
Changes in assets and liabilities:	
Accounts receivable	-
Accounts payable	4,772
Total adjustments	74,392
Net cash provided by (used for) operating activities	55,672
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	-
<u>Cash flows from financing activities</u>	
Principal payments	(29,216)
Interest payments	(9,733)
Change in customer deposits	7,947
Net cash provided by (used for) financing activities	(31,002)
<u>Change in cash and cash equivalents</u>	24,670
<u>Cash and cash equivalents, beginning of year</u>	348,727
<u>Cash and cash equivalents, end of year</u>	\$ 373,397
<u>Cash and cash equivalents</u>	\$ 231,513
<u>Restricted cash and cash equivalents</u>	141,884
	\$ 373,397
<u>Supplementary Disclosures</u>	
Amounts Paid for Interest	\$ 10,472
Amounts Paid for Sales Taxes	\$ 21,104

See Independent Accountant's Compilation Report.

**MORNING STAR WATER ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES**

December 31, 2021

	2021		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 156,260	\$ -	\$ 156,260
Repairs and maintenance	14,918	-	14,918
Depreciation	69,620	-	69,620
Professional services	-	19,375	19,375
Utilities	1,119	-	1,119
Insurance	4,833	-	4,833
Office supplies	-	13,979	13,979
Salaries, wages, and benefits	1,050	9,450	10,500
Contract labor	7,300	-	7,300
Supplies	4,974	-	4,974
Dues, subscriptions, licenses	-	637	637
Rent expense	5	89	94
Travel expenses	63	3	66
Payroll taxes	875	-	875
Reimbursements	-	3,925	3,925
Total expenses	<u>\$ 261,017</u>	<u>\$ 47,458</u>	<u>\$ 308,475</u>

See Independent Accountant's Compilation Report.