

**NEW HOPE WATER ASSOCIATION, INC.**  
**(A Nonprofit Organization)**  
**El Dorado, Arkansas**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**For the Years Ended September 30, 2021 and 2020**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**

**NEW HOPE WATER ASSOCIATION, INC.**  
**(A Nonprofit Organization)**  
**El Dorado, Arkansas**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Years Ended September 30, 2021 and 2020**

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# Berry & Associates

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To the Board of Directors of  
New Hope Water Association, Inc.  
El Dorado, Arkansas

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of New Hope Water Association, Inc. (a non-profit organization) which comprise the statement of financial position as of September 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hope Water Association, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

11225 Huron Lane, Suite 212 • Little Rock, AR 72211 • 501-227-9044 • Fax 501-227-8791

[jtberry@berrypresscpa.com](mailto:jtberry@berrypresscpa.com)

2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 972-437-2919

2088 Main Street, Suite A • Madison, MS 39110 • 601-383-0119

To the Board of Directors of  
New Hope Water Association, Inc.  
El Dorado, Arkansas

### Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The schedule of general comments on page 15 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of the Association's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that 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 Association's internal control over financial reporting and compliance.



Berry & Associates, P.A.  
Little Rock, Arkansas  
August 31, 2022

**NEW HOPE WATER ASSOCIATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2021 and 2020**

<u><b>ASSETS</b></u>		
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 347,210	\$ 295,127
Accounts receivable	28,659	27,240
Cash restricted for long term debt reserves	130,659	129,135
Capital assets, net of accumulated depreciation	<u>603,221</u>	<u>653,145</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,109,749</u></u>	<u><u>\$ 1,104,647</u></u>
 <u><b>LIABILITIES AND NET ASSETS</b></u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,380	\$ 5,176
Sales tax payable	1,528	1,583
Accrued interest payable	4,719	10,230
Customer water meter deposits	34,868	35,797
Current maturities of long-term debt	50,300	43,000
Long term debt, net of current maturities	<u>516,327</u>	<u>572,611</u>
<b>TOTAL LIABILITIES</b>	<u><u>617,122</u></u>	<u><u>668,397</u></u>
<b>NET ASSETS</b>		
Without donor restrictions	415,527	362,750
With donor restrictions	<u>77,100</u>	<u>73,500</u>
<b>TOTAL NET ASSETS</b>	<u><u>492,627</u></u>	<u><u>436,250</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,109,749</u></u>	<u><u>\$ 1,104,647</u></u>

**The accompanying notes are an integral part of the financial statements**

**NEW HOPE WATER ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>UNRESTRICTED REVENUES AND GAINS</b>		
Water program service fees	\$ 248,493	\$ 245,393
Total revenues and gains without donor restrictions	<u>248,493</u>	<u>245,393</u>
<b>EXPENSES</b>		
Water program:		
Operator expense	24,895	26,200
Repairs and maintenance	49,402	7,915
Depreciation	49,923	54,642
Supporting Services:		
Dues and fees	5,385	637
Insurance	3,029	3,008
Supplies	1,542	24,152
Office expenses	5,326	2,696
Accounting fees	8,745	5,167
Telephone and utilities	15,540	27,007
Truck expense	7,500	-
Other expenses	13,761	3,183
Total Operating Expenses	<u>185,048</u>	<u>154,607</u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>63,445</u>	<u>90,786</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Interest income	2,844	5,549
Interest expense	<u>(9,912)</u>	<u>(33,028)</u>
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(7,068)</u>	<u>(27,479)</u>
<b>INCREASE IN NET ASSETS</b>	56,377	63,307
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>436,250</u>	<u>372,943</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 492,627</u>	<u>\$ 436,250</u>

The accompanying notes are an integral part of the financial statements

**NEW HOPE WATER ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 247,074	\$ 251,088
Cash payments to suppliers for goods and services	(131,904)	(103,126)
Net cash provided by operating activities:	115,170	147,962
<b>Cash flows from investing activities:</b>		
Change in restricted cash and cash equivalents	(1,524)	(2,765)
Interest income from certificates of deposit	2,844	5,549
Net cash provided by investing activities:	1,320	2,784
<b>Cash flows from capital and related financing activities</b>		
Principal payments on long-term debt	(48,984)	(40,286)
Interest paid on long-term debt	(15,423)	(34,097)
Net cash used by capital and related financing activities:	(64,407)	(74,383)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	52,083	76,363
<b>CASH AND CASH EQUIVALENTS AT, OCTOBER 1, 2020</b>	295,127	218,764
<b>CASH AND CASH EQUIVALENTS AT, SEPTEMBER 30, 2021</b>	\$ 347,210	\$ 295,127
<b>Reconciliation of increase in net assets to net cash provided by operating activities</b>		
Increase in Net Assets	\$ 63,445	\$ 90,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	49,923	54,642
(Increase) Decrease in:		
Accounts receivable	(1,419)	5,695
Increase (Decrease) in:		
Accounts payable	4,204	(2,295)
Sales tax payable and meter deposits payable	(983)	(866)
Total Adjustments	51,725	57,176
Net cash provided by operating activities:	\$ 115,170	\$ 147,962

**The accompanying notes are an integral part of the financial statements**

**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Date of Management's Review**

Subsequent events have been evaluated through August 31, 2022, which is the date the financial statements were available to be issued.

**Reporting entity**

New Hope Water Association, Inc., was formed as a nonprofit organization, under the laws of the State of Arkansas. The purpose of the New Hope Water Association, Inc. ("Association") is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area.

**Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Association is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

**Use of Estimates**

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.

**Cash Equivalents**

For the purpose of the Statement of Cash Flows, New Hope Water Association, Inc. considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Long-Term Debt**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Association. Operating revenues consist primarily of membership fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both net assets without donor restrictions and net assets with donor restriction available, it is the Association's policy to apply those expenses to net assets with without donor restrictions to the extent such are available and then to net assets with donor restrictions.



**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):**

**Capital Assets**

The cost of additions and major replacements of retired units of property are capitalized. The Association 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. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. 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 credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Machinery & Equipment	5-7
Office Equipment	5-7
Water Utility Plant	5-40

**Income Taxes**

The Association is exempt from income taxes. They have been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501 (c)(12).

**Equity Classifications**

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following two components:

*Net Assets with Donor Restrictions*- This component of net assets 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.

*Net Assets Without Donor Restrictions* - This component of net assets consists of net assets not subject to donor-imposed restrictions.

**Restricted Assets**

Certain proceeds of the Association's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Financial Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Association are also considered restricted.

**Allowance for Bad Debt**

The Association has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, as of September 30, 2021, management had determined that no additional accounts needed to be written off.

**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS:**

As required by law, all of the Association’s deposits are with approved banks. The deposited are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the bank in the Association’s name. As of September 30, 2021, deposited funds were adequately insured.

**NOTE 3 – RESTRICTED ASSETS:**

Restricted assets consist of cash reserves restricted by long-term debt covenants. The long-term debt covenants require minimum reserves for debt service reserves (see Note 4).

The following is a list of the restricted cash at September 30:

		<u>2021</u>		<u>2020</u>
Debt Service Reserves	\$	<u>130,659</u>	\$	<u>129,135</u>

**NOTE 4 - LONG-TERM DEBT:**

Long-term debt at September 30, 2021 and 2020 consists of the following:

		<u>2021</u>		<u>2020</u>
Arkansas Natural Resources Commission, bond payable, due in semi-annual installments of \$11,359, including interest at 2.55% through June 2033. (1)	\$	233,591	\$	250,038
Arkansas Natural Resources Commission, loan payable, due in annual installments of \$7,092, including interest at 2.55% through July 2030. (1)		56,392		61,905
Arkansas Natural Resources Commission, bond payable, due in semi-annual installments of \$17,298, including interest at 2.55% through June 2030. (2)		<u>276,644</u>		<u>303,668</u>
		566,627		615,611
Less Current Portion		<u>(50,300)</u>		<u>(43,000)</u>
Long-Term Debt	\$	<u>516,327</u>	\$	<u>572,611</u>

(1) The loan has no restrictive covenants.

(2) The bond has restrictive covenants, including the requirement to begin accumulating a depreciation reserve in monthly installments of \$300. To be fully funded, the reserve must equal \$250,000.

**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 4 - LONG-TERM DEBT (cont.):**

Maturities of long-term debt in the years subsequent to September 30, 2021 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,300	\$ 14,167	\$ 64,467
2023	51,500	12,878	64,378
2024	52,800	11,557	64,357
2025	54,200	10,202	64,402
2026	55,700	8,811	64,511
2027-2031	258,036	24,107	282,144
2032-2033	44,091	1,412	45,503
	<u>\$ 566,627</u>	<u>\$ 83,134</u>	<u>\$ 649,762</u>

Long-term liability activity for the years ended September 30, 2021 and 2020 is as follows:

	<u>Balance</u>		<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Due Within</u>
	<u>9/30/20</u>				<u>9/30/21</u>	<u>One Year</u>
Long Term Debt						
Loans	\$ 61,905	\$ -	\$ (5,513)	\$ 56,392	\$ 5,700	
Bonds	<u>553,706</u>	<u>-</u>	<u>(43,471)</u>	<u>510,235</u>	<u>44,600</u>	
	<u>\$ 615,611</u>	<u>\$ -</u>	<u>\$ (48,984)</u>	<u>\$ 566,627</u>	<u>\$ 50,300</u>	

	<u>Balance</u>		<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Due Within</u>
	<u>9/30/19</u>				<u>9/30/20</u>	<u>One Year</u>
Long Term Debt						
Loans	\$ 66,593	\$ -	\$ (4,687)	\$ 61,905	\$ 5,500	
Bonds	<u>589,304</u>	<u>-</u>	<u>(35,598)</u>	<u>553,706</u>	<u>37,500</u>	
	<u>\$ 655,897</u>	<u>\$ -</u>	<u>\$ (40,286)</u>	<u>\$ 615,611</u>	<u>\$ 43,000</u>	

The Association has pledged future water customer revenues, net of specified operation expenses, to repay \$566,627 in long-term debt. Proceeds from the loans/bonds were used for building of the Association's water systems. Principal and interest on the loans/bonds are payable through 2033, solely from the water customer net revenues. Principal and interest paid for the year ended September 30, 2021 were 48,984 and \$15,423, respectively. Principal and interest paid in the year ended September 30, 2020 were \$40,286 and \$34,097 respectively.

**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 5 – CAPITAL ASSETS:**

A summary of changes in capital assets for the years ended September 30, 2021 and 2020 is as follows:

	<u>9/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2021</u>
Building	\$ 27,384	\$ -	\$ -	\$ 27,384
Land	9,251	-	-	9,251
Machinery & Equipment	13,809	-	-	13,809
Office Equipment	6,152	-	-	6,152
Water Utility Plant	1,864,159	-	-	1,864,159
Total	<u>1,920,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,920,754</u>
Less: Accumulated Depreciation	<u>(1,267,609)</u>			<u>(1,317,533)</u>
Total Capital Assets	<u>\$ 653,145</u>			<u>\$ 603,221</u>

	<u>9/30/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2020</u>
Building	\$ 27,384	\$ -	\$ -	\$ 27,384
Land	9,251	-	-	9,251
Machinery & Equipment	13,809	-	-	13,809
Office Equipment	6,152	-	-	6,152
Water Utility Plant	1,864,159	-	-	1,864,159
Total	<u>1,920,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,920,754</u>
Less: Accumulated Depreciation	<u>(1,212,967)</u>			<u>(1,267,609)</u>
Total Capital Assets	<u>\$ 707,787</u>			<u>\$ 653,145</u>

**NEW HOPE WATER ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021 and 2020**

**NOTE 6 – Liquidity and Availability of Financial Assets:**

The following reflects the Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Financial Assets at year end	\$ 506,528	\$ 451,502
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for long-term debt reserves	<u>130,659</u>	<u>129,135</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u><u>375,869</u></u>	\$ <u><u>322,367</u></u>

As part of the Association’s liquidity management, it invests cash in excess of daily requirements in short-term investments, typically certificates of deposit and savings accounts.



# Berry & Associates

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To the Board of Directors of  
NEW HOPE WATER ASSOCIATION, INC.  
El Dorado, Arkansas

**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 *GOVERNMENTAL AUDITING STANDARDS***

We have audited, 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, the financial statements of New Hope Water Association, Inc. (the "Association") (a non-profit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2022.

#### **Internal Control Over Financial Reporting**

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

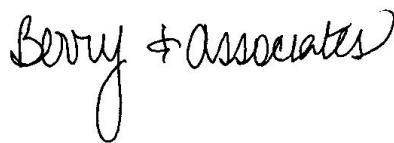
To the Board of Directors of  
NEW HOPE WATER ASSOCIATION, INC.  
El Dorado, Arkansas

**Association's Response to Findings**

The Association's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.



Berry & Associates  
Little Rock, Arkansas  
August 31, 2022

**NEW HOPE WATER ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended September 30, 2021**

**2021-001 Internal Control – Segregation of Duties**

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2020.

Cause: The Association's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the board should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View of Responsible Officials: The Association concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Association has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.



**SUPPLEMENTARY INFORMATION**

**NEW HOPE WATER ASSOCIATION, INC.  
GENERAL COMMENTS  
SEPTEMBER 30, 2021**

**THE WATER RATE SCHEDULE:**

RESIDENTIAL OR LIGHT COMMERCIAL

First 1,000 gallons	\$ 19.00 (minimum charge)
Next 3,000 gallons	\$ 5.95 per 1,000 gallons
Next 3,000 gallons	\$ 4.00 per 1,000 gallons
All over 7,000 gallons	\$ 4.00 per 1,000 gallons

SCHULER ROAD

First 1,000 gallons	\$ 22.50 (minimum charge)
Next 3,000 gallons	\$ 6.55 per 1,000 gallons
Next 3,000 gallons	\$ 4.50 per 1,000 gallons
All over 7,000 gallons	\$ 4.00 per 1,000 gallons

**INSURANCE SCHEDULE:**

<u>POLICY NO.</u>	<u>INSURANCE COMPANY</u>		<u>COVERAGE</u>
1D0690814	EMC Insurance	General Liability	\$ 600,000
		Product Liability	\$ 600,000
		Personal and/or advertising injury Limit	\$ 300,000
1XO-69-09-00		Commercial Property	\$ 244,970
1E0690813		Auto Insurance Hired not owned auto	\$ 300,000
400HN1376		Fidelity Bond John Brown	\$ 10,000
		Johnny Hanry	\$ 10,000
		Preston Hammett	\$ 10,000

**THE BOARD OF DIRECTORS:**

<u>NAMES</u>	<u>TITLE</u>
David Aubrey	President
Greg Jolley	Vice President
Johnny Hanry	Secretary/Treasurer
P.W. Williams	Board Member
Gene Hamaker	Board Member
Hilton Rogers	Board Member
Jason Fennell	Board Member