

NEW HOPE WATER ASSOCIATION, INC.
(A Nonprofit Organization)
El Dorado, Arkansas
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2022 and 2021
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, 2022 and 2021

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	
Note 1 - Summary of Significant Accounting Policies	6-7
Note 2 - Deposits with Financial Institutions	8
Note 3 - Restricted Assets	8
Note 4 - Long-Term Debt.....	8-9
Note 5 - Capital Assets	10
Note 6 - Liquidity and Availability of Financial Assets	11
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Schedule of Findings and Responses	14
Supplementary Information	
General Comments	15



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Page 1

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Hope Water Association, Inc. (the "Association") (a non-profit organization) which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the New Hope Water Association, Inc. as of September 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Hope Water Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

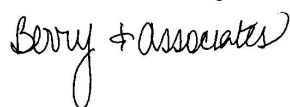
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying general comments are 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general comments are 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 December 21, 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 solely 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 the effectiveness of the Association's 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
December 21, 2022

**NEW HOPE WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021**

<u>ASSETS</u>		
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 392,310	\$ 347,210
Accounts receivable	30,436	28,659
Cash restricted for long term debt reserves	131,414	130,659
Capital assets, net of accumulated depreciation	<u>555,621</u>	<u>603,221</u>
TOTAL ASSETS	<u>\$ 1,109,780</u>	<u>\$ 1,109,749</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 1,402	\$ 9,380
Sales tax payable	1,517	1,528
Accrued interest payable	4,302	4,719
Customer water meter deposits	33,644	34,868
Current maturities of long-term debt	51,500	50,300
Long term debt, net of current maturities	<u>464,888</u>	<u>516,327</u>
TOTAL LIABILITIES	<u>557,252</u>	<u>617,122</u>
NET ASSETS		
Without donor restrictions	471,828	415,527
With donor restrictions	<u>80,700</u>	<u>77,100</u>
TOTAL NET ASSETS	<u>552,528</u>	<u>492,627</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,109,780</u>	<u>\$ 1,109,749</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
UNRESTRICTED REVENUES AND GAINS		
Water program service fees	\$ 248,905	\$ 248,493
Total revenues and gains without donor restrictions	<u>248,905</u>	<u>248,493</u>
EXPENSES		
Water program:		
Operator expense	26,317	24,895
Repairs and maintenance	32,444	49,402
Depreciation	47,600	49,923
Supporting Services:		
Dues and fees	3,196	5,385
Insurance	8,967	3,029
Supplies	3,390	1,542
Office expenses	4,521	5,326
Accounting fees	6,400	8,745
Telephone and utilities	27,727	15,540
Truck expense	9,000	7,500
Other expenses	6,991	13,761
Total Operating Expenses	<u>176,553</u>	<u>185,048</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>72,352</u>	<u>63,445</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Interest income	1,299	2,844
Interest expense	<u>(13,750)</u>	<u>(9,912)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(12,451)</u>	<u>(7,068)</u>
INCREASE IN NET ASSETS	59,901	56,377
NET ASSETS AT BEGINNING OF YEAR	<u>492,627</u>	<u>436,250</u>
NET ASSETS - END OF YEAR	<u>\$ 552,528</u>	<u>\$ 492,627</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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers	\$ 247,128	\$ 247,074
Cash payments to suppliers for goods and services	(138,165)	(131,904)
Net cash provided by operating activities:	<u>108,963</u>	<u>115,170</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(755)	(1,524)
Interest income from certificates of deposit	1,299	2,844
Net cash provided by investing activities:	<u>544</u>	<u>1,320</u>
Cash flows from capital and related financing activities		
Principal payments on long-term debt	(50,240)	(48,984)
Interest paid on long-term debt	(14,167)	(15,423)
Net cash used by capital and related financing activities:	<u>(64,407)</u>	<u>(64,407)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,100	52,083
CASH AND CASH EQUIVALENTS AT, OCTOBER 1, 2021	<u>347,210</u>	<u>295,127</u>
CASH AND CASH EQUIVALENTS AT, SEPTEMBER 30, 2022	<u>\$ 392,310</u>	<u>\$ 347,210</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in Net Assets	\$ 72,352	\$ 63,445
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	47,600	49,923
(Increase) Decrease in:		
Accounts receivable	(1,777)	(1,419)
Increase (Decrease) in:		
Accounts payable	(7,978)	4,204
Sales tax payable and meter deposits payable	(1,234)	(983)
Total Adjustments	<u>36,611</u>	<u>51,725</u>
Net cash provided by operating activities:	<u>\$ 108,963</u>	<u>\$ 115,170</u>

The accompanying notes are an integral part of the financial statements

NEW HOPE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Date of Management's Review

Subsequent events have been evaluated through December 21, 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, 2022 and 2021

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, 2022, management had determined that no additional accounts needed to be written off.

NEW HOPE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all of the Association’s deposits are with approved banks. The deposits 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, 2022, deposited funds were not 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:

		2022		2021
Debt Service Reserves	\$	131,414	\$	130,659

NOTE 4 - LONG-TERM DEBT:

Long-term debt at September 30, 2022 and 2021 consists of the following:

		2022		2021
Arkansas Natural Resources Commission, bond payable, due in semi-annual installments of \$11,359, including interest at 2.55% through June 2033 (1)	\$	216,722	\$	233,591
Arkansas Natural Resources Commission, loan payable, due in annual installments of \$7,092, including interest at 2.55% through July 2030. (1)		50,739		56,392
Arkansas Natural Resources Commission, bond payable, due in semi-annual installments of \$17,298, including interest at 2.55% through June 2030. (2)		248,927		276,644
		516,388		566,627
Less Current Portion		(51,500)		(50,300)
Long-Term Debt	\$	464,888	\$	516,327

(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, 2022 and 2021

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

Maturities of long-term debt in the years subsequent to September 30, 2022 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	57,000	7,386	64,386
2028-2032	222,766	17,707	240,473
2033	22,422	427	22,849
	<u>\$ 516,388</u>	<u>\$ 68,968</u>	<u>\$ 585,356</u>

Long-term liability activity for the years ended September 30, 2022 and 2021 is as follows:

	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>	<u>Due Within</u>
	<u>9/30/21</u>	<u>Additions</u>		<u>9/30/22</u>	<u>One Year</u>
Long Term Debt					
Loans	\$ 56,392	\$ -	\$ (5,654)	\$ 50,739	\$ 5,800
Bonds	<u>510,235</u>	<u>-</u>	<u>(44,586)</u>	<u>465,649</u>	<u>45,700</u>
	<u>\$ 566,627</u>	<u>\$ -</u>	<u>\$ (50,240)</u>	<u>\$ 516,388</u>	<u>\$ 51,500</u>

	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>	<u>Due Within</u>
	<u>9/30/20</u>	<u>Additions</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>

The Association has pledged future water customer revenues, net of specified operation expenses, to repay \$516,388 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, 2022 were \$50,240 and \$14,167 respectively. Principal and interest paid in the year ended September 30, 2021 were \$48,984 and \$15,423 respectively.

NEW HOPE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 5 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended September 30, 2022 and 2021 is as follows:

	<u>9/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2022</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>(1,317,533)</u>			<u>(1,365,133)</u>
Total Capital Assets	<u>\$ 603,221</u>			<u>\$ 555,621</u>

	<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>

NEW HOPE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Financial Assets at year end	\$ 554,160	\$ 506,528
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for long-term debt reserves	<u>131,414</u>	<u>130,659</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u><u>422,746</u></u>	\$ <u><u>375,869</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.



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Page 12

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 *GOVERNMENT 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, 2022, 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 December 21, 2022.

Report on 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) as a basis for designing 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be significant deficiencies.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-02.

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

Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 21, 2022

NEW HOPE WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2022

2022-001 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 2021.

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.

2022-02 Compliance - Cash Accounts Underinsured

Criteria: As required by law, all of the Association's deposits are with approved banks. The deposits should be insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the bank in the Association's name.

Condition: Presently the deposits at BancorpSouth are under insured by approximately \$21,587. Deposits at First Financial bank are underinsured by approximately \$4,005.

Cause: The Association's limited size and staffing resources have made it difficult for management to effectively monitor cash accounts in relation to FDIC limits.

Effect or Potential Effect: Cash amounts may be unrecoverable in the case of loss or theft if they exceed FDIC limits.

Recommendation: We recommend that management of the Association should review the uninsured amounts with the respective banks and have collateral pledged to adequately insure the deposits.

View of Responsible Officials: The Association concurs with the recommendation. The Association will make changes to meet FDIC insurance limits.

SUPPLEMENTARY INFORMATION

**NEW HOPE WATER ASSOCIATION, INC.
GENERAL COMMENTS
SEPTEMBER 30, 2022**

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