

LUDWIG WATER USERS ASSOCIATION, INC

Independent Accountant's Compilation Report,

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

and

Financial Statements

December 31, 2023

LUDWIG WATER USERS ASSOCIATION, INC.

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To the Board of Directors
Ludwig Water Users Association, Inc.
Clarksville, Arkansas 72830

Management is responsible for the accompanying financial statements of Ludwig Water Users Association, Inc. (a nonprofit corporation), which comprise the statement of net position as of December 31, 2023 and the related statements of revenues, expenses, and changes in net position 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. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

King Jacobs & Lorfing, CPAs, PA
King, Jacobs & Lorfing, CPAs, PA
Clarksville, Arkansas
October 28, 2024

King & Jacobs & Lorfing

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Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Board of Directors
Ludwig Water Users Association, Inc.
Clarksville, Arkansas 72830

We have performed the procedures enumerated below which were agreed to by Ludwig Water Users Association Inc. as of and for the year ended December 31, 2023. Ludwig Water Users Association Inc.'s management is responsible for the Association's accounting records. This report is prepared in accordance with Ark. Code Ann. 14-234-119 through 122.

Ludwig Water Users Association, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose required Ark. Code Ann. 14-234-119 through 122. 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 for the Ludwig Water Users Association, Inc. are as follows:

Cash and Investments

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

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

Receipts

2. 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 (10) customer payments on the accounts receivable sub-ledger to deposit and billing documents.
- c. For ten (10) deposit, agree the cash/check composition of the deposit with receipt information.

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

Accounts Receivable

3. a. Agree ten (10) customer billings to the accounts receivable sub-ledger.
- b. Determine that five (5) customer adjustments were properly authorized.

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

Disbursements

4. 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 (10) other disbursements and determine if they were adequately documented.

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

Property, Plant and Equipment

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

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

Long-Term Debt

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

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

General

7. 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 procedures.

We were engaged Ludwig Water Users Association, Inc. 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 procedures of Ark. Code Ann. 14-234-119 through 122. 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 Ludwig Water Users Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our agreed-upon procedures engagement.

King Jacobs & Lorfing, CPAs, PA

King, Jacobs & Lorfing, CPAs, PA
Clarksville, Arkansas
October 28, 2024

LUDWIG WATER USERS ASSOCIATION, INC.
Statement of Financial Position
December 31, 2023

ASSETS

	2023
Current Assets	
Cash	\$ 709,897
Accounts Receivable	48,147
Prepaid Expenses	6,760
Total Current Assets	764,804
Assets Limited as to Use	
Debt Reserve Funds	35,232
Property, Plant and Equipment	
Property, Plant and Equipment, at cost	1,799,659
Accumulated Depreciation	(971,338)
Total Property, Plant and Equipment, net	828,321
Total Assets	\$ 1,628,358

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	17,793
Accrued Interest Payable	488
Sales Tax Payable	2,105
Deferred Income	1,250
Current due on Long-Term Debt	20,504
Total Current Liabilities	42,139
Long-Term Liabilities	
Notes Payable	337,966
Less: Current Due on Long-Term Debt	(20,504)
Total Long-Term Liabilities	317,462
Meter Deposits	42,831
Total Liabilities	402,433
Net Assets	
Without Donor Restrictions	1,225,925
Total Net Assets	1,225,925
Total Liabilities and Net Assets	\$ 1,628,358

See accompanying notes and accountant's compilation report.

LUDWIG WATER USERS ASSOCIATION, INC.

Statement of Activities

For the Year Ended December 31, 2023

	<u>2023</u>
Revenue	
Water Sales	\$ 364,431
Penalties	7,013
Connection Fees	14,580
Memberships	6,000
Interest Income	9,308
Miscellaneous Operating Income	7,896
Total Sales	<u>409,228</u>
Direct Operating Expense	
Water Purchases	127,742
Utilities	12,271
Operating Supplies	21,460
Repairs and Maintenance	14,367
Depreciation	44,852
Total Direct Operating Expense	<u>220,692</u>
Gross Profit	<u>188,536</u>
General and Administrative	
Accounting Expenses	5,609
Fees & Permits	310
Insurance	7,323
Interest Expense	14,947
Memberships & Subscriptions	4,935
Miscellaneous	167
Office Supplies and Postage	4,649
Professional Fees	66,900
Administrative Expense	14,400
Training Expense	240
Total General and Administrative Expense	<u>119,480</u>
Income from Operations	<u>69,056</u>
Nonoperating Revenue (Expense)	
Other	-
Total Nonoperating Revenue (Expense)	<u>-</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	69,056
Net Assets, Beginning of Year	<u>1,156,869</u>
Net Assets, End of Year	<u>\$ 1,225,925</u>

See accompanying notes and accountant's compilation report.

LUDWIG WATER USERS ASSOCIATION, INC.

Statement of Cash Flow
Year Ended December 31, 2023

	<u>2023</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 387,069
Other Operating Receipts	7,896
Interest Income Receipts	9,308
Payments to Suppliers	(282,126)
Cash Paid for Interest Expenses	(14,947)
Net Cash Provided (Used) by Operating Activities	<u>107,200</u>
Cash Flows from Non-Capital Financing Activities:	
Increase (Decrease) in Meter Deposits	3,936
Increase (Decrease) in Other Non-Operating Income	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,936</u>
Cash Flows from Capital and Related Financing Activities:	
(Increase) Decrease in Capital Assets	-
Principal Payments Long-Term Debt	(19,566)
Net Cash Provided (Used) by Related Financing Activities	<u>(19,566)</u>
Net Increase (Decrease) in Cash and Equivalents	91,570
Cash and Cash Equivalents, Beginning of Year	<u>653,559</u>
Cash and Cash Equivalents, End of Year	<u>\$ 745,129</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Income (Loss) from Operations	<u>\$ 69,056</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization Expense	44,852
(Increase) Decrease in Accounts Receivable	(4,955)
(Increase) Decrease in Prepaid Expenses	(362)
Increase (Decrease) in Accrued Expenses	193
Increase (Decrease) in Accounts Payable	(1,562)
Increase (Decrease) in Accrued Interest Payable	(22)
Total Adjustments	<u>38,144</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 107,200</u>
Noncash transactions:	<u>\$ -</u>

See accompanying notes and accountant's compilation report.

LUDWIG WATER USERS ASSOCIATION, INC.
Notes to the Financial Statements (continued)
December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Activities

The Ludwig Water Users Association, Inc. is a nonprofit corporation 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. Financial statement presentation follows the recommendations of the FASB ASC 958-210-45 which requires reporting information regarding financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Externally restricted assets may only be utilized in accordance with the purposes established by the restricting party. Donor restricted support whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Net assets without donor restrictions may be used in achieving any of the Association's organizational purposes. There were no net assets with donor restrictions at December 31, 2023.

(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) Cash Flows Statement

For purposes of the statement of cash flows, Ludwig Water Users Association, Inc. considers all checking accounts, savings accounts and certificates of deposits to be cash equivalents.

(e) 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.

(g) Depreciation

Property and equipment acquisitions in excess of \$500 are capitalized. Property and equipment are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense for 2023 was \$44,852. Rates used for computing depreciation are as follows:

<u>Assets</u>	<u>Rate</u>
Distribution system	2.00 %
Office Equipment	2.00 %
Building	2.00 %
Maintenance Equipment	10.00-25.00%

LUDWIG WATER USERS ASSOCIATION, INC.
Notes to the Financial Statements (continued)
December 31, 2022

(h) Accounts Receivable

Accounts receivable are considered past due if the customers' bill is not fully satisfied by the 10th day of the month. After the 10th has passed, the customer is then charged a late fee. Failure to pay the total bill within 30 days will cause the water service to be discontinued and the addition of a \$40 reconnect fee. Subsequent violations of 3 in one year carry an additional \$100 reconnect fee. Past due accounts are reviewed and written off on an annual basis for those accounts that have been determined as uncollectible.

(2) CASH DEPOSITS

As of December 31, 2023, the cash book balance of Ludwig Water Users Association, Inc. was \$745,129 and the bank balance was \$745,684. Of the bank balance, \$469,521 was covered by Federal Depository Insurance and deposits collateralized by pledged securities were \$276,162.

	2023
Unrestricted Cash	
General Revenue Fund	\$ 322,540
Operating and Maintenance Fund	24,451
Meter Deposit Fund	45,894
CD – Meter Deposits Fund	5,044
CD- Reserve Funds	4,672
CD - Bank OZK	214,477
Money Market Funds	77,994
CD - Refurbishment	14,826
Total Unrestricted Cash	\$ 709,898
 Assets Limited as to Use	
CD - Reserve Fund	8,640
CD - Reserve Fund	26,592
Total Assets Limited as to Use	\$ 35,232

LUDWIG WATER USERS ASSOCIATION, INC.
Notes to the Financial Statements (continued)
December 31, 2022

(3) PLANT, PROPERTY AND EQUIPMENT AT COST

	<u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>
Land	9,413	\$ -	\$ -	\$ 9,413
Building	198,555	-	-	198,555
Office Equipment	24,478	-	-	24,478
Maintenance Equipment	123,630	-	-	123,630
Distribution System	1,035,737	-	-	1,035,737
Water Tower Expansion	407,846	-	-	407,846
Total Assets	<u>1,799,659</u>	<u>-</u>	<u>-</u>	<u>1,799,659</u>
Accumulated Depreciation	<u>(926,486)</u>	<u>(44,852)</u>	<u>-</u>	<u>(971,338)</u>
Total	<u>901,506</u>	<u>\$ (44,852)</u>	<u>\$ -</u>	<u>\$ 828,321</u>

(4) LONG-TERM DEBT - DISTRIBUTION SYSTEM

Long-term debt of Ludwig Water Users' Association consists of the following:

	<u>2023</u>
(a) Loan payable to United States Department of Agriculture Rural Development collateralized by the assets of the Association. This loan is payable in monthly installments of \$2,216, over 40 years at 5.00%, ending in August 2033.	\$ 199,141
(b) Loan payable to United States Department of Agriculture Rural Development collateralized by the assets of the Association. This loan is payable in monthly installments of \$662, over 40 years at 3.25%, ending in January 2050.	<u>138,825</u>
	<u>337,966</u>
Less: Current Installments	<u>(20,504)</u>
Total long-term debt	<u>\$ 317,462</u>

LUDWIG WATER USERS ASSOCIATION, INC.
Notes to the Financial Statements (continued)
December 31, 2022

Long-term debt maturing in the next five years and after consists of:

	Principal	Interest
2024	20,504	14,032
2025	21,490	13,046
2026	22,524	12,012
2027	23,608	10,928
2028	24,747	9,789
2029 - 2033	126,758	30,025
2034 - 2038	25,736	13,983
2039 - 2043	30,271	9,449
2044 - 2048	35,605	4,115
2049 - 2049	6,730	104
	337,966	117,484

(5) CONCENTRATIONS

Concentrations that could affect the operations of the system are the small geographic area of the system's customers and one supplier of their water. Clarksville Connected Utilities is the supplier of all the water purchased.

(6) INCOME TAXES

The Ludwig 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*. 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. 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

LUDWIG WATER USERS ASSOCIATION, INC.
Notes to the Financial Statements (continued)
December 31, 2022

has filed all applicable tax returns. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Association has no open examination with either the Internal Revenue Service or state taxing authorities.

(7) SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 28, 2024 which is the date that the financial statements were available to be issued.