

EAST JOHNSON COUNTY WATER USERS  
ASSOCIATION, INC.

JUNE 30, 2024

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**

**JUNE 30, 2024**

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CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF  
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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and Management  
East Johnson County Water Users' Association, Inc.  
Lamar, Arkansas

We have performed the procedures enumerated below, which were agreed to by the members of the Board of Directors, as specified in the Agreed Upon Procedures as required under Arkansas Code Annotated 14-234-119, solely to assist the specified parties in evaluating the East Johnson County Water Users' Association, Inc.'s compliance with the *Guidelines and Rules* specified below, as of December 31, 2024. The East Johnson County Water Users' Association, Inc.'s management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

1. Cash
  - a. Prepared proof of cash for the year for all accounts.
  - b. Reconciled year-end bank balances to book balances, within 5% or \$500, whichever is greater.
  - c. Acquired deposit confirmations for all accounts and agreed them to the proof of cash, ending bank statement balance and book balance.

We found no exceptions as a result of the procedures.

2. Receipts
  - a. Agreed ten customer payments to the billing documents and to the customers' accounts receivable subsidiary account.
  - b. Agreed cash receipts journal total to deposits per proof of cash within 5% or \$500, whichever is greater.
  - c. Agreed one deposit's cash/check composition with receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable
  - a. Agreed ten customer billings to the meter readings and to the customers' accounts receivable subsidiary account.
  - b. Selected five customer adjustments and validated they were approved.
  - c. Agreed accounts receivable payments per A/R ledger to cash receipts within 5% or \$500, whichever is greater.
  - d. Agreed accounts receivable ledger to year-end book balance.

All adjustments were approved by the water clerk, and we found no exceptions as a result of the procedures.

4. Disbursements

- a. Selected and reviewed documentation for 12 disbursements.
- b. Reviewed expenses to determine amounts spent on operating and maintenance.
- c. Scheduled and reviewed all employee and council member disbursements.
- d. Agreed cash disbursements journal to disbursements per proof of cash within 5% or \$500, whichever is greater.
- e. Agreed payroll to payroll reports.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

Determine that all additions and disposals were properly accounted for in the records.

We found no exceptions as a result of the procedures.

6. Long-term Debt

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

We found no exceptions as a result of the procedures.

7. General

- a. Reviewed cash balances for adequacy to support operating and maintenance expenditures.
- b. Determined the number of customers.
- c. Determined the rate structure.
- d. Reviewed the minutes of the governing body's meetings, and if applicable, determined that any items of financial significance were therein approved and documented.

We found no exceptions as a result of the procedures.

These agreed-upon procedure engagements were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion on the effectiveness of internal controls over compliance. Accordingly, we do not express such an opinion or conclusion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you. The sufficiency of the procedures is solely the responsibility of the members of the Council. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely for the East Johnson County Water Users Association, Management of the Water Department, Arkansas Department of Finance and Administration - Office of Intergovernmental Services, and Arkansas Office of Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
January 24, 2025



**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2024**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents - Unrestricted (Note 2)	
Unrestricted	\$ 532,811
Restricted	13,081
Accounts Receivable - Net	130,681
Inventories	15,000
Prepaid Expenses	3,805
Total Current Assets	<u>695,378</u>

**PROPERTY AND EQUIPMENT, at cost (Note 4)**

Less: Accumulated Depreciation	7,168,167
	<u>4,123,768</u>
	<u>3,044,399</u>

**OTHER ASSETS**

Investments - Restricted (Note 3)	682,471
Accrued Interest Receivable - Restricted	1,032
	<u>683,503</u>
	<u>4,423,280</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Current Maturities of Long-term Debt (Note 5)	111,283
Accounts Payable	59,557
Accrued Expenses	13,998
Total Current Liabilities	<u>184,838</u>

**LONG-TERM LIABILITIES**

Long-term Debt (Note 5)	1,156,630
Customer Deposits	167,586
	<u>1,324,216</u>
	<u>1,509,054</u>

**NET ASSETS**

Net Invested in Capital Assets	1,775,486
Unrestricted Net Assets	609,742
Restricted Net Assets	528,998
	<u>2,914,226</u>
	<u>\$ 4,423,280</u>

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2024**

**REVENUES**

Water Revenues	\$ 1,187,611
Connection Fees & Other Income	163,233
	<u>1,350,844</u>

**EXPENSES**

Water Purchases	471,369
Salaries	208,988
Utilities	61,107
Insurance	23,539
Office Expense	29,195
Taxes & Licenses	16,893
Depreciation	166,426
Legal and Accounting	8,000
Employee Benefits	45,610
Repairs and Maintenance	139,691
Auto Expense	21,983
Miscellaneous	1,222
	<u>1,194,023</u>

**INCOME FROM OPERATIONS**

156,821

**OTHER INCOME (EXPENSE)**

Interest Income	38,468
Interest Expense	(36,846)
	<u>1,622</u>

**CHANGE IN NET ASSETS**

158,443

**NET ASSETS, BEGINNING OF YEAR**

2,755,783

**NET ASSETS, END OF YEAR**

\$ 2,914,226

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Water Customers	\$ 1,236,390
Other Operating Cash Receipts	163,233
Payments to Suppliers	(717,049)
Payments to Employees	(254,598)
Payments for Other Admin Costs	(49,911)
<b>Net Cash Provided by Operating Activities</b>	<b><u>378,065</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

(Increase) Decrease in Investments	(254,343)
Purchases of Property and Equipment	(7,610)
Interest Received	38,468
<b>Net Cash Used by Investing Activities</b>	<b><u>(223,485)</u></b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Interests Paid on Notes Payable	(36,846)
Repayment of Notes Payable	(107,995)
<b>Net Cash Used by Financing Activities</b>	<b><u>(144,841)</u></b>

**NET CHANGE IN CASH & CASH EQUIVALENTS** 9,739

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 536,153

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 545,892

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Reconciliation of Cash to Statements of Financial Position	
Unrestricted Cash	\$ 532,811
Restricted Cash	13,081
	<u><u>\$ 545,892</u></u>

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2024**

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities:**

<b>Income from Operations</b>	\$ 156,821
<b>Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:</b>	
Depreciation	166,426
(Increase) Decrease in Accounts Receivable	48,203
(Increase) Decrease in Accrued Interest Receivable	(654)
(Increase ) Decrease in Prepaid Expenses	(1,280)
Increase (Decrease) in Accounts Payable	7,519
Increase (Decrease) in Accrued Expenses	(199)
Increase (Decrease) in Customer Deposits	1,229
	<u>221,244</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 378,065</u></b>

**EAST JOHNSON COUNTY WATER USERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

***Nature of Operation***

The East Johnson County Water Users' Association, Inc. is a utility operated by the residents of East Johnson County, Arkansas, in an association form and is governed by an elected board of directors.

***Organization***

The Association is a proprietary fund type utilizing enterprise funds to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

***Fund Accounting***

The accounts of the Association are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Revenue resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Association are grouped in the financial statements into one generic fund type.

***Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Association uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

***Cash Equivalents***

The Association considers cash equivalents to be short-term highly liquid certificates of deposit with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Cash and cash equivalents" and "Restricted Cash and cash equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

***Accounts Receivable and Bad Debt***

The Association considers accounts receivable to be fully collectable. If amounts become uncollectable, they will be charged to operations when the determination is made. Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

**EAST JOHNSON COUNTY WATER USERS' ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Inventories***

Inventories are stated at cost, using the first-in, first-out method of accounting and consist of construction and maintenance supplies related to the water system.

***Property and Equipment***

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

Water System	50	years
Buildings	25 - 39	years
Office Equipment	5 - 7	years
Automobiles	5	years
Maintenance Equipment	5	years

Depreciation expenses for the year ended June 30, 2024 amounted to \$166,426.

***Investments***

The Association considers certificates of deposit to be longer-term less liquid certificates of deposit with original maturities of more than three months which are less readily convertible to cash. The Association understands that these certificates of deposit can be immediately available, but that a penalty would be incurred for early withdrawal.

***Compensated Absences***

Employees of the Association are entitled to paid vacations and sick days depending on job classification, length of service, and other factors. It is important to estimate the amount of compensation for future absences, however, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when paid to employees.

***Fair Value of Financial Instruments***

The Association's financial instruments include cash, cash equivalents and investments. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

***Income Tax***

East Johnson County Water Users' Association, Inc. is non-taxable for federal and state income tax purposes under the Internal Revenue Code Section 501(c)12.

***Net Asset Classifications***

Net assets are classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net assets – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

**EAST JOHNSON COUNTY WATER USERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Regulatory Environment***

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Health Department. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The cash balance is composed of unrestricted and restricted funds as follows:

Unrestricted		
Water System Operating Fund		\$ 532,811
Restricted		
Debt Service Reserve Fund		<u>13,081</u>
		<u>\$ 545,892</u>

**NOTE 3: INVESTMENTS**

Investments are composed of funds as follows:

Restricted		
Depreciation Fund		\$ 358,596
Debt Service Reserve Fund		156,289
Meter Deposit Fund		<u>167,586</u>
		<u>\$ 682,471</u>

**NOTE 4: PROPERTY AND EQUIPMENT (at cost)**

At June 30, 2024, the Association had Property and Equipment as follows:

	<u>6-30-2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>6-30-2024</u>
Water System	\$ 6,408,953	\$		\$ 6,408,953
Buildings and Improvements	439,827			439,827
Office Equipment	43,315			43,315
Automobiles	157,439			157,439
Maintenance Equipment	102,873	7,609		110,482
Land	8,150			8,150
	<u>\$ 7,160,557</u>	<u>\$ 7,609</u>		<u>\$ 7,168,167</u>

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5: LONG-TERM DEBT**

Long-term debt at June 30, 2024 consists of the following:

	<u>6-30-2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-2024</u>
4.50% note payable to USDA, Rural Development (No.91-04), payable in monthly installments of \$6,328 including interest, maturing 10-21-2034, secured by the water system and revenues.	\$ 663,693		\$ 47,029	\$ 616,664
3.00% note payable to USDA, Rural Development (No.91-08), payable in monthly installments of \$447 including interest, maturing 4-1-2053.	102,952		2,307	100,645
2.25% note payable to USDA Rural Development (No 91-10), payable in monthly installments of \$461 including interest, maturing 5-27-2056.	127,930		2,681	125,249
0.50% note payable to ANRC (#01204), payable in monthly installments of \$4,914 including interest, maturing 4-15-2031, secured by water system and revenues.	<u>481,333</u>		<u>55,978</u>	<u>425,355</u>
	<u>\$ 1,375,908</u>		<u>\$ 107,995</u>	<u>1,267,913</u>
Less Current Maturities				<u>111,283</u>
				<u>\$ 1,156,630</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 111,283	\$ 34,517	\$ 145,800
2026	113,962	31,838	145,800
2027	116,752	29,048	145,800
2028	119,654	26,146	145,800
2029	122,676	23,124	145,800
2030-34	505,863	66,757	572,620
2035-39	44,534	19,472	64,006
2040-44	39,899	14,581	54,480
2045-49	45,490	8,990	54,480
2050-54	38,668	3,047	41,715
2055-59	9,132	182	9,314

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5: LONG-TERM DEBT (continued)**

The Debt Service Requirement for the above loans at June 30, 2024 is as follows:

USDA Note 91-04	\$ 75,396
USDA Note 91-08	5,880
USDA Note 91-10	4,730
	<u>\$ 86,006</u>
Debt Service Reserve balance at 6-30-24	<u>\$ 161,946</u>

**NOTE 6: NET ASSETS**

Net Assets are composed of the following:

Contributed Capital	
Federal and State Agencies	\$ 5,129,600
Customers	<u>82,863</u>
	<u>5,212,463</u>
Retained Earnings Deficit	<u>(2,298,237)</u>
	<u>\$ 2,914,226</u>

**NOTE 7: CONCENTRATION OF CREDIT RISK**

The Association has concentrated its credit risk for cash by maintaining balances in excess of amounts covered by federal insurance. The Association has obtained pledged securities for all funds that exceed FDIC limits.. The Association provides unsecured credit for water services to customers of East Johnson County Arkansas.

**NOTE 8: SCHEDULE OF RATES**

The water rates at June 30, 2024 were:

Monthly Water Rates:

- a. Minimum charge on first 1,000 gallons \$25.88
- b. Charge of \$6.64 per 1,000 gallons for the next 4,000 gallons
- c. Charge of \$5.55 per 1,000 gallons for the next 10,000 gallons
- d. Charge of \$4.20 per 1,000 gallons for the usage over 15,000 gallons

**NOTE 9: INSURANCE COVERAGE**

Company: Great American Insurance Company  
Policy No.: EPP 9712088  
Expiration: 08-27-24  
Coverage: Water Association buildings, contents, and equipment – \$527,800

Company: Great American Insurance Company  
Policy No.: EPP 9712088  
Expiration: 08-27-24  
Coverage: General Liability - \$300,000/\$600,000

Company: Great American Insurance Company  
Policy No.: EPP 9712088  
Expiration: 08-27-24  
Coverage: Board and all Employees personal liability – \$1,000,000

**EAST JOHNSON COUNTY WATER USERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 9: INSURANCE COVERAGE (continued)**

Company: Republic Group Insurance Company  
 Policy No.: WC5-35S-338417-023  
 Expiration: 08-27-24  
 Coverage: Workman’s Compensation/General Liability – \$100,000/employee

Company: CNA Surety Company  
 Policy No.: 18186500  
 Expiration: 07-25-24  
 Coverage: Employee Dishonesty – \$25,000

Company: Cameron Mutual Insurance Company  
 Policy No.: CA-000-0503236  
 Expiration: 06-14-25  
 Coverage: Business Auto – \$100,000/\$300,000/\$100,000

Company: CNA Surety Company  
 Policy No.: 58317708  
 Expiration: 07-18-24  
 Coverage: Highway Permit Bond – \$5,000

Company: Cameron Mutual Insurance Company  
 Policy No.: CIM-0000090191  
 Expiration: 05-24-25  
 Coverage: Tractor

**NOTE 10: RETIREMENT PLAN**

The Association contributes 12.54% of salary for each participating employee in the SEP Retirement Plan. Contributions for the year ended June 30, 2024 were \$28,035.

**NOTE 11: BOARD OF DIRECTORS**

The Board of Directors at June 30, 2024 were:

<u>Name of Board Member</u>	<u>Title</u>
Marty Wilkins	President
Larry Chronister	Vice-President
Darrel Wheeler	Secretary/Treasurer
William Sanderson	Board Member
Jason James	Board Member

**NOTE 12: USDA, RURAL DEVELOPMENT DISCLOSURES**

As part of our examination, we have evaluated the Association’s compliance with USDA loan requirements. We found no instances of material noncompliance with USDA requirements. Additionally, the Association maintained accurate and complete financial records that were in substantial agreement with the submitted financial statements. The Association had adequate physical controls over assets.

**NOTE 13: SUBSEQUENT EVENTS**

The Association considers there to be no significant events to be reported through January 24, 2025, which is the date the financial statements were available to be issued.