

**SPADRA-GOOSE CAMP  
WATER USERS' ASSOCIATION**

Independent Accountant's Report on Applying  
Agreed-Upon Procedures and  
Independent Accountant's Compilation Report  
and  
Compiled Financial Statements

December 31, 2021 and 2020

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
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## **Independent Accountant's Report on Applying Agreed-Upon Procedures for Water and Sewer Service Providers and Independent Accountant's Compilation Report**

Board of Directors  
Spadra-Goose Camp Water Users' Association  
Clarksville, Arkansas 72830

We have performed the procedures enumerated below with respect to the financial information for the Spadra-Goose Camp Water Users' Association as of and for the year ended December 31, 2021. This report is prepared in accordance with Ark. Code Ann. 14-234-119 through 122. Spadra-Goose Camp Water Users' Association's management is responsible for the company's accounting records. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures for the Spadra-Goose Camp Water Users' Association are as follows:

### Cash and Investments

- a. Perform a proof of cash and reconcile year-end bank balances to book balance.
- b. Confirm with the 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

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

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

#### Accounts Receivable

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

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

#### Disbursements

- 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 other disbursements and determine if they were adequately documented.

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

#### Property, Plant and Equipment

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

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

#### 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 with part a. and b. Exceptions to the c. debt service accounts are:

Spadra-Goose Camp Water Users' Association is required by the USDA to set aside into a reserve account the sum of \$63 per month until the sum of \$7,488 is reached beginning October 2009. As of December 31, 2021, the debt reserve account was fully funded.

Spadra-Goose Camp Water Users' Association is also required by the USDA to set aside \$6,733 annually into a separate account an amount sufficient enough to establish and maintain reserves to assure for the replacement of short-lived assets which have a useful life significantly less than the repayment period of the debt. As of December 31, 2021, the \$6,733 required deposit was not made into the Asset Reserve account. Balance in the account as of December 31, 2021 was \$1,018.

#### General

- a. 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 procedure.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Management is responsible for the accompanying financial statements of Spadra-Goose Camp Water Users' Association. (a non-profit organization) which comprise the statements of financial position as of December 31, 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 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.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee of Arkansas, United States Department of Agriculture, and the Spadra-Goose Camp Water Users' Association's Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "King Jacobs & Lorfing, CPAs, PA". The signature is written in a cursive, flowing style.

King Jacobs & Lorfing, CPAs, PA  
December 30, 2022

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Statements of Financial Position  
December 31, 2021 and 2020  
(unaudited)

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 1,000	\$ 1,000
Cash in Bank - Revenue	162	55
Cash in Bank - O & M	853	45
Assets Limited as to Use-Current	2,919	5,489
Accounts Receivable	21,435	25,039
Unbilled Receivables	1,889	1,505
Insurance Receivable	-	6,998
Employee Receivable	1,930	1,930
Prepaid Expenses	860	652
Total Current Assets	<u>31,048</u>	<u>42,713</u>
Assets Limited as to Use		
Debt Reserve	7,538	7,533
Asset Account	1,018	1,017
Meter Deposits	10,237	9,600
	<u>18,793</u>	<u>18,150</u>
Less amounts required to meet current liabilities	<u>(2,919)</u>	<u>(5,489)</u>
Total Assets Limited as to Use, net	<u>15,874</u>	<u>12,661</u>
Property, Plant, and Equipment, at cost		
Buildings	34,468	36,468
Water System and Equipment	559,872	560,884
Land	7,422	7,422
Office Equipment	8,449	10,422
Total Property, Plant and Equipment	<u>610,211</u>	<u>615,196</u>
Accumulated Depreciation	<u>(401,841)</u>	<u>(391,441)</u>
Property, Plant, and Equipment, net	<u>208,370</u>	<u>223,755</u>
Total Assets	<u>\$ 255,292</u>	<u>\$ 279,129</u>

See accompanying notes and accountants' compilation report.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Statements of Financial Position  
December 31, 2021 and 2020  
(unaudited)

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts Payable	\$ 10,859	\$ 19,552
Accrued Expenses	6,903	2,497
Current Due on Long-Term Debt	<u>2,821</u>	<u>5,380</u>
Total Current Liabilities	20,583	27,429
 Meter Deposits (payable from Assets Limited as to Use)	 14,202	 13,338
 Long-Term Debt	 <u>118,146</u>	 <u>120,962</u>
Total Liabilities	<u>152,931</u>	<u>161,729</u>
 Net Assets		
Without Donor Restrictions	<u>102,361</u>	<u>117,401</u>
Total Net Assets	<u>102,361</u>	<u>117,401</u>
Total Liabilities and Net Assets	<u><u>\$ 255,292</u></u>	<u><u>\$ 279,129</u></u>

See accompanying notes and accountants' compilation report.

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Statement of Activities  
For the Years Ended December 31, 2021 and 2020  
(unaudited)

	2021	2020
Operating Revenue		
Water Sales	\$ 150,283	\$ 142,503
Water Taps & Regulators	750	1,450
Late Charges	6,948	5,392
Interest Income	16	25
Total Operating Revenue	<u>157,997</u>	<u>149,370</u>
Direct Operating Expense		
Water Purchases	82,662	75,116
Labor	16,561	16,693
Payroll Taxes	2,042	655
Depreciation	13,770	13,872
Pipe and Supplies	6,214	8,570
Contract Labor	1,330	2,141
Repairs and Maintenance	11,299	13,827
Utilities	6,676	7,112
Total Direct Operating Expense	<u>140,555</u>	<u>137,986</u>
Gross Profit (Loss)	<u>17,442</u>	<u>11,384</u>
General and Administrative Expenses		
Auto	3,948	2,656
Insurance	4,499	4,243
Interest Expense	5,145	5,515
Legal and Accounting	1,650	1,473
Miscellaneous & Late Fees	605	1,429
Depreciation	1,904	1,843
Office Supplies	4,074	4,084
Dues & Permits	846	653
Payroll Taxes	1,082	590
Labor	21,000	21,000
Total General and Administrative Expenses	<u>44,754</u>	<u>43,486</u>
Net Income (Loss) from Operations	<u>(27,312)</u>	<u>(32,102)</u>
Other Income (Expense)		
PPP Loan Forgiveness	-	7,800
Insurance Reimbursement	12,441	12,340
Loss of Stolen Asset	(169)	-
Total Other Income (Expenses)	<u>12,272</u>	<u>20,140</u>
Increase in Net Assets Without Donor Restrictions	<u>(15,040)</u>	<u>(11,962)</u>
Net Assets, Beginning of Year	<u>117,401</u>	<u>129,362</u>
Net Assets, End of Year	<u>\$ 102,361</u>	<u>\$ 117,401</u>

See accompanying notes and accountants' compilation report



SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020  
(unaudited)

	2021	2020
Cash Flows from Operating Activities:		
Net Income from Operations	\$ (27,312)	\$ (32,102)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	15,675	15,715
(Increase) Decrease in Accounts Receivable	3,604	(9,750)
(Increase) Decrease in Unbilled Receivables	(384)	897
(Increase) Decrease in Insurance Receivables	6,998	(6,998)
(Increase) Decrease in Employee Receivables	-	(418)
(Increase) Decrease in Prepaid Expenses	(208)	(56)
Increase (Decrease) in Accounts Payable	(8,693)	6,570
Increase (Decrease) in Accrued Liabilities	4,406	(3,180)
Total Adjustments	21,398	2,780
Net Cash Provided (Used) by Operating Activities	(5,914)	(29,322)
Cash Flows from Investing Activities:		
Customer Deposit Increase (Decrease)	864	914
Purchase of Property & Equipment	(458)	-
Non-Operating Charges	12,441	20,140
(Increase) Decrease in Assets Limited As To Use	(643)	9,493
Net Cash Provided (Used) by Investing Activities	12,204	30,547
Cash Flows from Capital & Related Financing Activities:		
Principal Payments Long-Term Debt	(5,376)	(5,097)
Net Cash Provided (Used) by Financing Activities	(5,376)	(5,097)
Net Increase (Decrease) in Cash and Equivalents	914	(3,872)
Cash and Cash Equivalents, Beginning of Year	1,101	4,973
Cash and Cash Equivalents, End of Year	2,015	\$ 1,101
Supplemental Cash Flow Information:		
Cash Paid During the Period for Interest Expense	\$ 5,145	\$ 5,515

See accompanying notes and accountants' compilation report

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Notes to Financial Statements  
December 31, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Activities

The Spadra-Goose Camp Water Users' Association is a not-for-profit association 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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(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) Depreciation

Fixed assets are stated at cost for purchased assets and at fair market value at date of gift for donated assets with a useful life of greater than one year and cost over \$250. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Rates used for computing depreciation are as follows:

<u>Assets</u>	<u>Rate</u>
Buildings	4.00%
Pump Stations & Tanks	2.00-6.67%
Furniture, Fixtures & Equipment	10.00-20.00%

Depreciation expense for 2021 and 2020 was \$15,675 and \$15,715 respectively.

(E) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(F) Concentration of Credit Risk

Financial instruments that potentially subject the Association to credit risk consist of accounts receivable from customers. Meter security deposits are required from customers to reduce the credit risk. The gross revenue from four major customers with sales over \$3,000 was \$19,044 for 2021, which is 12.67% of gross revenue, and for 2020, there were three major customers with sales over \$3,000 whose revenue was \$18,411 which was 12.92% of gross revenue.

# SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION

## Notes to Financial Statements

December 31, 2021

### (G) Revenue Recognition

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Contributions are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. No contributions were received in either 2021 or 2020.

### (H) Cash & Cash Equivalents

For the purposes of the Statements of Cash Flows, the Association considers all checking accounts, savings accounts, certificates of deposits, and highly liquid debt instruments purchased with a maturity of three months or less whose use is not limited to be cash and cash equivalents.

### (I) Bad Debt Write-Off

The Association uses the direct write-off method for receivables. There were no bad debts written off in 2021 or 2020.

## (2) CASH DEPOSITS

At December 31, 2021 the cash book balance of Spadra-Goose Camp Water Users' Association was \$20,808, and the bank balance was \$21,682. Of the bank balance, \$21,682 was insured by the federal depository insurance.

## (3) RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Association carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years. The current coverage is listed below.

Expiration Dates	Company	Amount of Coverage	Description of Coverage
03/08/22	EMC Insurance	\$197,518	Tanks
03/08/22	EMC Insurance	\$82,680	Pump Station
03/08/22	EMC Insurance	\$2,000,000	Gen. Liability-Gen. Aggregate
03/08/22	EMC Insurance	\$11,460	Employee Theft
03/08/22	EMC Insurance	\$1,000,000	Business Auto/Officers & Directors
03/08/22	EMC Insurance	\$25,000	Data Compromise
01/21/22	Cameron Mutual	\$31,800	Buildings & Contents
12/26/21	Cameron Mutual	1,000,000	Commercial Auto
12/26/22	Progressive	1,000,000	Commercial Auto

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Notes to Financial Statements  
December 31, 2021

(4) LONG-TERM DEBT

Long-term debt of Spadra-Goose Camp Water Users' Association consists of the following:

	<u>2021</u>	<u>2020</u>
(A) Loan payable to USDA Rural Development collateralized by a real estate mortgage on the real and personal property of the system. The loan is payable in monthly installments of \$364.00 over 40 years at 4.5% interest.	\$ 67,473	\$ 68,773
(B) Loan payable to USDA Rural Development collateralized by a real estate mortgage on the real and personal property of the system. The loan is payable in monthly installments of \$260.00 over 40 years at 3.625% interest.	53,240	54,407
(C) Loan payable to First Security Bank collateralized by equipment. The loan is payable in 36 monthly installments of \$252.47 at 6.25% interest.	254	3,162
Total Debt	120,967	126,342
Less: Current Installments	(2,821)	(5,380)
Total Long-Term Debt	<u>\$ 118,146</u>	<u>\$ 120,962</u>

Long-Term Debt maturing in the next five years and after consists of:

	Principal	Interest
2022	2,821	4,922
2023	2,674	4,814
2024	2,772	4,716
2025	2,901	4,587
2026	3,022	4,466
2027 -- 2031	17,100	20,340
2032 -- 2036	20,983	16,457
2037 -- 2041	25,782	11,658
2042 -- 2046	31,678	5,762
2047 -- 2048	11,234	1,003
Total Debt	<u>\$120,967</u>	<u>\$78,724</u>

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Notes to Financial Statements  
December 31, 2021

(5) DEBT REQUIREMENTS

Spadra-Goose Camp Water Users' Association is required by the USDA to set aside into a reserve account the sum of \$63 per month until the sum of \$7,488 is reached beginning October 2009. As of December 31, 2021, the debt reserve account was fully funded.

Spadra-Goose Camp Water Users' Association is also required by the USDA to set aside \$6,733 annually into a separate account an amount sufficient enough to establish and maintain reserves to assure for the replacement of short-lived assets which have a useful life significantly less than the repayment period of the debt. As of December 31, 2021, the \$6,733 required deposit was not made into the Asset Reserve account due to severe water loss in previous years. Balance in the account at December 31, 2021 was \$1,018.

(6) WATER RATES AND GALLONS BOUGHT AND SOLD

Spadra-Goose Camp Water Users' Association 2021 rates for water service are

\$32.75 first 1,000 gallons; .00908 per gallon after 1,000

Connection fees are either \$375 or \$575 depending on the type of connection, and meter deposits are \$60 for home owners, and \$150 for rentals. The Association purchased 13,844,000 gallons of water and sold 10,732,120 gallons, for a loss rate of 22.48%.

(7) CONCENTRATIONS

Concentrations that could affect the operations of the system are the small geographic area of the system and one supplier of their water, which is Hartman Water Department.

(8) INCOME TAXES

The Spadra-Goose Camp 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* (formerly FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in 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

SPADRA-GOOSE CAMP WATER USERS' ASSOCIATION  
Notes to Financial Statements  
December 31, 2021

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 has filed all applicable tax returns. Currently, the Association has no open examinations with either the Internal Revenue Service or state taxing authorities and the Association believes it is no longer subject to income tax examinations for years before 2017. Years that are open for examination are 2019, 2020 and 2021.

(9) SUBSEQUENT EVENTS

A letter from Legislative Joint Auditing Committee was received on January 11, 2022 which requested the steps taken to correct the findings of the Agreed Upon Procedures Report for year ending December 31, 2020.

A response letter was sent on January 23, 2022, stating that repayment of employee credit card charges will be paid monthly until funds are repaid and the money from the \$500 check will be deposited into the bank. The January 31, 2022 bank statement shows a deposit of \$100 was made on January 27, 2022 from Karen Shook and \$500 cash deposit was made on January 3, 2022.

A letter from Legislative Joint Auditing Committee to Fifth Judicial District Prosecuting Attorney was sent on February 4, 2022 which listed two disbursements to an employee that were not adequately documented. The first being the used of company credit card for personal expenses and the second was the \$500 check made out to an employee.

Subsequent events were evaluated through December 30, 2022 which is the date that the financial statements were available to be issued.