

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Jefferson, Samples and Dexter Water Users' Association, Inc.

We have audited the accompanying financial statements of the Jefferson, Samples and Dexter Water Users' Association, Inc. (the "Organization"), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization as of December 31, 2020 and 2019, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021 on our consideration of the Organization's internal control over financial reporting and 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 Organization'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 Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
March 8, 2021

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,010,830	\$ 1,082,340
Accounts receivable (net)	73,048	59,156
Inventory	25,446	29,042
Other current assets	-	5,924
Total current assets	1,109,324	1,176,462
 <u>Fixed assets, net of accumulated depreciation</u>	 2,624,587	 1,569,589
 <u>Other Assets</u>		
Cash reserve - meter deposits	21,583	21,603
Cash reserve - debt service	74,926	-
Total other assets	96,509	21,603
Total assets	\$ 3,830,420	\$ 2,767,654
 <u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 31,284	\$ 5,896
Accrued payroll	3,059	229
Retainage payable	33,748	-
Other accrued expenses	21,703	23,893
Current portion of notes payable	63,880	-
Total current liabilities	153,674	30,018
 <u>Long term liabilities</u>		
Notes payable, net of current amount	962,031	155,242
Customer deposits	21,583	21,603
Total long term liabilities	983,614	176,845
Total liabilities	1,137,288	206,863
 <u>Net assets</u>		
Net assets without donor restrictions	2,618,206	2,560,791
Net assets with donor restrictions	74,926	-
Total net assets	2,693,132	2,560,791
Total liabilities and net assets	\$ 3,830,420	\$ 2,767,654

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

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.
STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	2020	2019
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 468,460	\$ 449,918
Water connection fees	18,375	16,300
Penalties and late fees	22,054	20,687
Other operating income	12,288	14,744
Total revenues	521,177	501,649
Expenses		
Operating expenses	307,224	264,973
General and administrative	192,812	175,988
Total expenses	500,036	440,961
Income (loss) from operations	21,141	60,688
Non-operating income (expense)		
Interest income	10,579	9,082
Insurance proceeds	38,370	-
Interest expense	(12,675)	-
Total non-operating income (expense)	36,274	9,082
Change in net assets without donor restrictions	57,415	69,770
<u>Changes in net assets with donor restrictions</u>		
Contributions	74,926	-
Net assets released from restrictions	-	-
Change in net assets with donor restrictions	74,926	-
<u>Change in net assets</u>	132,341	69,770
<u>Net assets, beginning of year</u>	2,560,791	2,491,021
<u>Net assets, end of year</u>	\$ 2,693,132	\$ 2,560,791

The accompanying notes are an integral part of the financial statements

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
<u>Cash flows from operating activities</u>		
Income from operations	\$ 21,141	\$ 60,688
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	73,120	67,529
Changes in assets and liabilities:		
Accounts receivable	(13,892)	(2,185)
Inventory	3,596	(1,890)
Other current assets	5,924	(4,785)
Accounts payable	25,388	(1,858)
Accrued payroll	2,830	(364)
Retainage payable	33,748	-
Other accrued expenses	(2,190)	(2,965)
Total adjustments	128,524	53,482
Net cash provided by (used for) operating activities	149,665	114,170
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,107,721)	(70,824)
Insurance proceeds	38,370	-
Interest income	10,579	9,082
Net cash provided by (used for) investing activities	(1,058,772)	(61,742)
<u>Cash flows from financing activities</u>		
Proceeds from bond issue	915,758	155,242
Bond issue costs	(20,397)	-
Principal payments	(45,089)	-
Change in restricted cash from debt issuance	74,926	-
Interest payments	(12,675)	-
Change in customer deposits	(20)	82
Net cash provided by (used for) financing activities	912,503	155,324
<u>Change in cash and cash equivalents</u>	3,396	207,752
<u>Cash and cash equivalents, beginning of year</u>	1,103,943	896,191
<u>Cash and cash equivalents, end of year</u>	\$ 1,107,339	\$ 1,103,943
<u>Cash and cash equivalents</u>	\$ 1,010,830	\$ 1,082,340
<u>Restricted cash and cash equivalents</u>	96,509	21,603
	\$ 1,107,339	\$ 1,103,943

The accompanying notes are an integral part of the financial statements

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2020 and 2019

	2020		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 86,826	\$ 130,238	\$ 217,064
Depreciation	68,818	3,622	72,440
Supplies	65,039	7,226	72,265
Utilities	36,572	1,925	38,497
Insurance	19,715	4,929	24,644
Professional services	-	19,895	19,895
Payroll taxes	5,694	8,542	14,236
Dues, subscriptions, licenses	6,136	6,135	12,271
Repairs and maintenance	6,217	327	6,544
Travel expenses	4,873	256	5,129
Office supplies	-	3,692	3,692
Communication	2,285	761	3,046
Bad debt	-	1,796	1,796
Contract labor	900	-	900
Amortization	680	-	680
Other expenses	3,469	3,468	6,937
Total expenses	\$ 307,224	\$ 192,812	\$ 500,036

	2019		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 79,171	\$ 118,756	\$ 197,927
Depreciation	64,153	3,376	67,529
Supplies	43,158	4,795	47,953
Utilities	34,606	1,821	36,427
Insurance	16,170	4,042	20,212
Professional services	-	17,703	17,703
Payroll taxes	5,388	8,082	13,470
Dues, subscriptions, licenses	5,927	5,926	11,853
Repairs and maintenance	7,084	373	7,457
Travel expenses	5,304	279	5,583
Office supplies	-	4,856	4,856
Communication	1,004	334	1,338
Bad debt	-	2,637	2,637
Other expenses	3,008	3,008	6,016
Total expenses	\$ 264,973	\$ 175,988	\$ 440,961

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

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Jefferson, Samples and Dexter Water Users' Association, Inc. (the "Organization") is a not-for-profit corporation established under the laws of the State of Arkansas and is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in the surrounding rural community.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Concentrations and Credit Risks

The Organization's credit risks primarily relate to cash and cash equivalents. The Organization maintains several cash accounts at a bank. Accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. Credit extended to customers are generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit and deposits can be offset against the receivable for delinquent billings or returned to the customer when the account is closed.

An allowance for doubtful accounts is maintained. The allowance for doubtful accounts for the years ended December 31, 2020 and 2019 was \$12,392. Bad debts are charged to operations as they are deemed uncollectible.

Inventory

Inventories consist of various meters, couplings, pipes, etc. used in the customary operations of the Organization. All inventories are stated at lower of cost or market using the FIFO (first-in, first-out) method.

Property and Equipment

Property and Equipment are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income from these net assets may be used for specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net ass released from restrictions.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. The Organization files an exempt return in the U.S. federal jurisdiction.

Reclassification

Certain accounts in prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

Recent Accounting Pronouncement

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under the existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020. The Organization is evaluating the impact the standard will have on the financial statements. The Organization does not expect the standard and to have a material impact on the financial statements.

Date of Management's Review

The Organization evaluated its December 31, 2020 financial statements for subsequent events through March 8, 2021, the date the financial statements were available to be issued. As described in Note 7, the Organization has disclosed one subsequent event that the Organization has determined to be significant. The Organization determined that the event does not require recognition in the financial statements for the year ended December 31, 2020, but is significant enough to merit disclosure.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,107,339	\$ 1,103,943
Receivables	73,048	59,156
	<u>1,180,387</u>	<u>1,163,099</u>
Less: restricted cash for deposit accounts	(21,583)	(21,603)
Less: restricted cash for debt requirements	<u>(74,926)</u>	<u>-</u>
Available for general expenditure	<u>\$ 1,083,878</u>	<u>\$ 1,141,496</u>

Restricted cash consists of funds held in reserve by the Organization as required by the Arkansas Natural Resources Commission (“ANRC”). In accordance with loan covenants, the ANRC requires the Organization to restrict cash for depreciation reserves. The amount to be restricted at a minimum is 3% of monthly revenues each month until the balance is \$106,830 (combined total of ANRC loans). The Organization has cash restricted for the purpose of loan covenants of \$74,926 as of December 31, 2020 which exceeds the calculated minimum of \$25,802 for the year ended December 31, 2020. It is the Organization’s policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

An additional reserve is required to be maintained to repay customers’ deposits upon the closing of the customers’ accounts. The total deposits held with the Organization required to be reserved at December 31, 2020 are \$21,583.

The Organization’s goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$250,000). As part of its liquidity plan, excess cash is held in timed deposits.

NOTE 3 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2020.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions’ trust department in the Organization’s name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Organization’s name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization’s bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 502,244	\$ 250,000	\$ 252,244	\$ -
Bank B	12,293	12,293	-	-
Bank C	534,714	250,000	-	284,714
Bank D	91,373	91,373	-	-
Total	<u>\$ 1,140,624</u>	<u>\$ 603,666</u>	<u>\$ 252,244</u>	<u>\$ 284,714</u>

The amounts shown are bank ledger balances of the referenced banks’ deposits and may differ from the Organization’s general ledger balances.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following balances at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 14,200	\$ 14,200
Buildings and Improvements	388,661	388,661
Dollarway road project	38,374	38,374
Furniture, fixtures, & equipment	501,865	151,955
Harper road project	40,895	40,895
NCTR road project	192,855	192,855
Water plant	2,866,252	2,085,431
Intangible assets	20,397	-
Construction in progress	-	37,343
	<u>4,063,499</u>	<u>2,949,714</u>
Accumulated depreciation	<u>(1,438,912)</u>	<u>(1,380,125)</u>
	<u>\$ 2,624,587</u>	<u>\$ 1,569,589</u>

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to the ANRC for the purchase of property and equipment, payable in monthly installments of \$3,742, including principal and interest through 2040; interest at 2.55%, secured by property and equipment	\$ 684,878	\$ -
Note payable to the ANRC for the purchase of property and equipment, payable in monthly installments of \$3,145, including principal and interest through 2030; interest at 0%, secured by property and equipment	341,033	155,242
	<u>\$ 1,025,911</u>	<u>\$ 155,242</u>

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the year ending December 31, 2020:

2021	\$ 63,880
2022	64,777
2023	65,694
2024	66,631
2025	67,588
Thereafter	<u>697,341</u>
	<u>\$ 1,025,911</u>

NOTE 6 – RETIREMENT BENEFITS

The Organization has established a Simple Retirement Plan for the benefit of their employees. After one year of service, employees are eligible to participate in the plan. Contributions by the Organizations are based on the amount contributed by the employee, with the Organization matching employee's contributions up to 3%. The Organization contributed \$3,765 and \$4,186 to employee's retirement accounts for the years ending December 31, 2020 and 2019, respectively.

NOTE 7 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees, governmental agencies, and vendors all of which are uncertain and cannot be predicted in the following year. The Organization has not experienced significant changes in operations since the onset of the outbreak, however, it is uncertain if the Organization's financial condition or operations will continue to be unaffected in the following fiscal year due to the external factors listed previously.

SEARCY & ASSOCIATES, LLC
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**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**

To the Board of Directors of the
Jefferson, Samples and Dexter Water Users' Association, Inc.

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 accompanying financial statements of Jefferson, Samples and Dexter Water Users' Association, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020 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 March 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 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. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

The Organization's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
March 8, 2021

JEFFERSON, SAMPLES AND DEXTER WATER USERS' ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

SIGNIFICANT DEFICIENCIES

2020-001 - Segregation of Duties

Condition: The Organization did not segregate financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to sufficiently reduce the risks of fraud or error.

Criteria: Proper segregation of controls should be in place to provide reasonable assurance that fraud or error does not occur.

Cause: The Organization has limited financial resources which prevent it from properly segregating financial accounting duties.

Effect: Without proper segregation of duties, opportunity for fraud or error exists.

Recommendation: The Organization should evaluate its internal controls and segregate financial duties to the extent possible with the current staffing levels. The Organization should consider additional oversight where segregation is not possible.

Management's Response: The Organization will segregate financial duties to the extent possible with the current staffing levels.