

KINGSLAND WATER SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2016
INDEPENDENT ACCOUNTANT'S REPORT IN
APPLYING AGREED-UPON PROCEDURES

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
TINA MARTIN, C.P.A.

POST OFFICE BOX 418
MONTICELLO, ARKANSAS 71657
(870)367-3580 or (870)367-3467
FAX (870)367-2154
tmartin@ccc-cable.net

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Legislative Joint Auditing Committee
and Arkansas Natural Resources Commission

We have performed the procedures enumerated below with respect to the financial information and compliance with certain state laws for Kingsland Water System for the year ended December 31, 2016. Kingsland Water System is responsible for its accounting records. This report is prepared in accordance with Ark. Code Ann. 14-234-119. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Kingsland Water System. 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 and associated findings are as follows:

1. Cash and Investments

- 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.

Findings: None

2. 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 10 customer payments on the accounts receivable subledger to deposit and billing documents.

Findings: None

3. Accounts Receivable

- A. Agree 10 customer billings to the accounts receivable subledger.
- B. Determine that five (5) customer adjustments were properly authorized.

Findings: Carol Lane is the only authorized person to make water adjustments. The board members review all adjustments on a monthly basis.

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

Findings: None

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

Findings: None

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 appropriate debt service account have been established and maintained.

Findings: None

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on Kingsland Water System's financial statements or specified elements, accounts, or items thereof. 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.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Searcy & Associates, LLC

Searcy & Associates, LLC
Monticello, AR 71655

August 17, 2017

KINGSLAND WATER SYSTEM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT 1

STATEMENT OF FINANCIAL POSITION 2

STATEMENT OF ACTIVITIES 3

STATEMENT OF CASH FLOWS 4

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
TINA MARTIN, C.P.A.

POST OFFICE BOX 418
MONTICELLO, ARKANSAS 71657
(870)367-3580 or (870)367-3467
FAX (870)367-2154
searcyco@ccc-cable.net

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
Kingsland Water System

Management is responsible for the accompanying financial statements of Kingsland Water (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended. We have performed a compilation engagement in accordance with Statements in 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Searcy & Associates, LLC

Searcy & Associates, LLC
Monticello, Arkansas
August 17, 2017

KINGSLAND WATER SYSTEM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current assets:

Cash	\$ 25,746	
Certificates of deposit	17,616	
Accounts receivable (net of allowance for doubtful accounts \$2,229)	<u>6,609</u>	
Total current assets		\$ 49,971

Restricted funds:

Reserve accounts	\$ 20,675	
Meter deposits	<u>17,741</u>	
Total restricted funds		38,416

Property, Plant and Equipment:

Property, plant and equipment	\$ 1,358,566	
Less: Accumulated depreciation	<u>(756,144)</u>	
Total property, plant and equipment		<u>602,422</u>

Total assets		<u>\$ 690,809</u>
--------------	--	-------------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,809	
Accrued liabilities	7,110	
Meter deposits payable	15,238	
Current portion of long term debt	<u>7,088</u>	
Total current liabilities		\$ 32,245

Long term liabilities:

Notes payable, net of current portion		<u>125,451</u>
---------------------------------------	--	----------------

Total liabilities		\$ 157,696
-------------------	--	------------

Net assets:

Unrestricted	512,438	
Restricted	<u>20,675</u>	
Total net assets		<u>533,113</u>

Total liabilities and net assets		<u>\$ 690,809</u>
----------------------------------	--	-------------------

See independent accountant's report.

KINGSLAND WATER SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Revenue	\$ 58,140	\$46,082	\$ 104,222
Less: Refunds and Adjustments	<u>(954)</u>	<u>0</u>	<u>(954)</u>
Net Operating Revenues	57,186	46,082	103,268
Operating expenses			
Salaries	26,393	20,352	46,745
Depreciation	25,901	0	25,901
Utilities	2,708	2,436	5,144
Auto Expense	2,859	1,202	4,061
Repairs and Maintenance	5,427	1,037	6,464
Payroll Taxes	2,613	1,751	4,364
Dues and Subscriptions	612	0	612
Operating Supplies	2,743	0	2,743
Insurance	3,961	2,504	6,465
Postage and Delivery	1,001	149	1,150
Telephone	942	0	942
Computer and Internet	1,756	392	2,148
Office Supplies	375	263	638
Bank Charges	50	0	50
Miscellaneous	<u>1,678</u>	<u>3,472</u>	<u>5,150</u>
Total operating expenses	79,019	33,558	<u>112,577</u>
Net Operating Income/(Loss)			(9,309)
Other revenues and expenses			
Penalty Charges			2,203
Misc. Income			3,657
Interest Income			185
Discount Earned			20
Interest Expense			<u>(6,611)</u>
Total other revenues and expenses			<u>(546)</u>
Net Increase (Decrease) in Assets			(9,855)
Beginning Net Assets			<u>542,968</u>
Ending Net Assets			<u>\$ 533,113</u>

See independent accountants' report.

KINGSLAND WATER SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flow from operating activities		
Net Decrease in Net Assets		\$ (9,855)
Adjustments to Reconcile Net Decrease in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		25,901
(Increase) Decrease in:		
Accounts Receivable	(1,395)	
Restricted Cash	<u>(1,465)</u>	(2,860)
Increase (Decrease) in:		
Accrued Taxes	742	
Meter Deposits Payable	570	
Accounts Payable	<u>1,584</u>	<u>2,896</u>
Net cash provided (used) by operating activities		16,082
 Cash flow from financing activities		
Repayment of Debt		<u>(7,348)</u>
Net cash provided (used) by financing activities		<u>(7,348)</u>
Increase (decrease) in cash and cash equivalents		8,734
Cash and cash equivalents, beginning balance		<u>34,628</u>
Cash and cash equivalents, ending balance		<u>\$ 43,362</u>

Supplementary Disclosures:

Interest expense \$6,611

See independent accountants' report.