



Arkansas Natural Resources Commission



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Executive Director

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Mike Beebe
Governor

**COMPTON WATER ASSOCIATION
FINANCIAL REVIEW
FOR THE PERIOD JANUARY 1, 2010 – DECEMBER 31, 2010
Independent Accountant's Report**

To the Board of Directors
Compton Water Association
P.O. Box 825
Compton, AR 72624

I have performed the procedures listed below with respect to the financial information and state law compliance which were agreed to by the management of Compton Water Association for the period January 1, 2010 – December 31, 2010. Management is responsible for maintaining the financial records and complying with the state law. This report is prepared in accordance with Rule 506.1.B of the Arkansas Natural Resources Commission's rules and regulations. This engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I 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 for the Compton Water Association are as follows:

Cash

1. a. Prepare a proof of cash for the year.
- b. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

- c. Review cancelled checks for two signatures.

I found no exceptions to the procedures listed above.

Receipts

2. A. Agree 10 customer payments to the billing documents and meter reading.

I found no exceptions to the procedures listed above.

Accounts Receivable:

3. A. Agree 10 billings to the meter readings and the validated deposit.
B. Determine that (5) customer adjustments were properly authorized.

I found no exceptions to the procedures listed above.

Disbursements:

4. A. Review all checks written to selected employees.
B. Select a minimum of 12 disbursements and determine if they were adequately documented.
C. Review supporting documentation for Property, Plant and Equipment disbursements \$2,500 or above.
D. Review and analyze credit card statements if applicable.

Findings:

We noted a few instances where receipts or invoices were not maintained for purchases made with the debit card. Since debit card transactions do not require a signature, I recommend receipts are maintained for all purchases to ensure all checks written are for business purposes.

Personnel Information:

5. A. Validate pay rates for selected employees.

I found no exceptions to this procedure.

Financial Statement Analysis:

6.
 - A. Determine that the appropriate debt service accounts have been established and maintained.
 - B. Review expenses to determine amounts spent on operating and maintenance.
 - C. Review cash balances and/or reserve for depreciation for adequacy to support future operating and maintenance expenditures.

I found no exceptions to the procedures listed above; however due to the problems with the previous employee, the systems cash reserves are very low and the system is delinquent in their payment to Arkansas Natural Resources Commission. I appreciate the entities efforts to establish a debt service account as well as a reserve for maintenance, but I encourage Compton Water Association to make their loan payment to ANRC.

Conclusion:

Veronica and the board has done an excellent job and made great improvements in the financial operations of Compton Water Association. I appreciate your willingness to provide me with all the information I requested as well as your willingness and commitment to correcting all the previous financial problems. This report will suffice as your financial report for ANRC for 2010, but I encourage you to stay current on engaging a CPA to perform agreed upon procedures and current with your loan to ANRC. Please let the Commission know if we can help in any way.

Sincerely,



Cynthia Bearden, CPA
Agency Controller