Mt. Sherman Water Association, Inc.
Mt. Sherman, Arkansas

Agreed-Upon Procedures
December 31, 2017

Porterfield
& Company CPA, PLLC
accountants • auditors • advisors

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Mt. Sherman Water Association, Inc.
Mt. Sherman, Arkansas

We have performed the procedures enumerated below, which were agreed to by the Mt. Sherman Water Association, Inc., solely to assist you with respect to the complying with the requirements of the State of Arkansas specified under Ark. Code Ann. 14-234-119 as of and for the year ended December 31, 2017. The Mt. Sherman Water Association, Inc.'s management is responsible for the Department's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in 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.

Our procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balance to the book balances within 5% or $500, whichever is greater.

Findings: We found no exceptions.

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or $500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: We found no exceptions.

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Findings: We found no exceptions.

Cash Disbursements and Expenses

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or $500, whichever is greater.

2. Analyze all property, plant and equipment disbursements.

3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

   Findings: The Association considers all workers to be contract labor. We found checks that should have been included in the 1099's. In addition, we found checks to a board member that should have been reported on a 1099. The Association is correcting their 1099's and 1096.

Property, Plant and Equipment

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

   Findings: There were no additions or disposals to property, plant and equipment during the year ended December 31, 2017.

Long-Term Debt

1. Schedule long-term debt and verify changes in all balances for the year.

2. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.

3. Determine that the appropriate debt service accounts have been established and maintained.

   Findings: There was no long-term debt for the year ended December 31, 2017.

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

   Findings: We found no exceptions.

This agreed-upon procedures engagement was 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, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. 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 Mt. Sherman Water Association, Inc. and the State of Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than those specified parties.

Porterfield & Company CPA, PLLC

Porterfield & Company CPA, PLLC

Harrison, Arkansas
April 2, 2019