

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Bradley County Rural Water Association, Inc.

We have performed the procedures enumerated below for the Bradley County Rural Water Association, Inc., ("the Organization"), for the year ended December 31, 2023. The Organization's management is responsible for accounting records.

Bradley County Rural Water Association, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of issuing a report on findings based on specific procedures performed on subject matter. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The 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 balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: No findings identified.

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: No findings identified.

Accounts Receivable

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

Findings: *No findings identified.*

Disbursements

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: *No findings identified.*

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: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

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

Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

Searcy & Associates LLC

Monticello, Arkansas
February 28, 2024

SEARCY & ASSOCIATES, LLC

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Bradley County Rural Water Association, Inc.

Management is responsible for the accompanying financial statements of Bradley County Rural Water Association, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended 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. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

A handwritten signature in cursive script that reads "Searcy & Associates LLC".

Monticello, Arkansas
February 28, 2024

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2023

	<u>2023</u>
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 686,459
Accounts receivable (net)	18,912
Total current assets	<u>705,371</u>
 <u>Fixed assets, net of accumulated depreciation</u>	 179,010
 <u>Other Assets</u>	
Cash reserve - meter deposits	41,700
Total assets	<u><u>\$ 926,081</u></u>
 <u>Liabilities and Net Assets</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 5,522
Accrued payroll	1,504
Other accrued expenses	1,477
Total current liabilities	<u>8,503</u>
 <u>Long term liabilities</u>	
Customer deposits	41,700
Total liabilities	50,203
 <u>Net assets</u>	
Net assets without restrictions	<u>875,878</u>
Total liabilities and net assets	<u><u>\$ 926,081</u></u>

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	<u>2023</u>
<u>Changes in net assets</u>	
Revenues	
Water services	\$ 209,263
Other operating income	<u>1,315</u>
Total revenues	210,578
Expenses	
Operating expenses	106,802
General and administrative	<u>80,207</u>
Total expenses	<u>187,009</u>
Income (loss) from operations	23,569
Non-operating income (expense)	
Interest income and net gain on investments	1,963
(Gain)/Loss on sale of asset	<u>28,573</u>
Total non-operating income (expense)	<u>30,536</u>
<u>Change in net assets</u>	54,105
<u>Net assets, beginning of year</u>	<u>821,773</u>
<u>Net assets, end of year</u>	<u>\$ 875,878</u>

The accompanying notes are an integral part of the financial statements

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	<u>2023</u>
<u>Cash flows from operating activities</u>	
Income from operations	\$ 23,569
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	12,639
Changes in assets and liabilities:	
Accounts receivable	0
Accounts payable	1,260
Accrued expenses	(278)
Total adjustments	<u>13,621</u>
Net cash provided by (used for) operating activities	37,190
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(53,252)
Proceeds from disposal of property, plant and equipment	28,573
Interest income and net gain on investments	<u>1,963</u>
Net cash provided by (used for) investing activities	<u>(22,716)</u>
<u>Cash flows from financing activities</u>	
Change in customer deposits	<u>3,000</u>
Net cash provided by (used for) financing activities	<u>3,000</u>
<u>Change in cash and cash equivalents</u>	17,474
<u>Cash and cash equivalents, beginning of year</u>	<u>710,685</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 728,159</u>
 <u>Cash and cash equivalents</u>	 \$ 686,459
<u>Restricted cash and cash equivalents</u>	<u>41,700</u>
	<u>\$ 728,159</u>

The accompanying notes are an integral part of the financial statements

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	2023		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 51,526	\$ 0	\$ 51,526
Repairs and maintenance	7,820	0	7,820
Depreciation	12,639	0	12,639
Professional services	0	4,712	4,712
Utilities	4,882	100	4,982
Insurance	6,512	723	7,235
Other expenses	479	478	957
Office supplies	0	4,338	4,338
Salaries, wages, and benefits	6,595	59,352	65,947
Contract labor	9,367	0	9,367
Supplies	3,922	436	4,358
Dues, subscriptions, licenses	2,578	2,578	5,156
Rent expense	0	3,150	3,150
Payroll taxes	482	4,340	4,822
Total expenses	<u>\$ 106,802</u>	<u>\$ 80,207</u>	<u>\$ 187,009</u>

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

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Bradley County Rural Water 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.

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023

NOTE 1 (continued)

An allowance for doubtful accounts is maintained. The allowance for doubtful accounts for the year ended December 31, 2023 was \$2,748. Bad debts are charged to operations as they are deemed uncollectible.

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
Furniture & 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.

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.

Date of Management's Review

The Organization evaluated its December 31, 2023 financial statements for subsequent events through February 28, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

BRADLEY COUNTY RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023

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 at December 31:

	2023
Cash and cash equivalents	\$ 728,159
Receivables	18,912
	<u>747,071</u>
Less: restricted cash for deposit accounts	<u>(41,700)</u>
Available for general expenditure	<u><u>\$ 705,371</u></u>

Restricted cash consists of funds 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, 2023 was \$41,700.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2023
Distribution system	\$ 620,205
Water plant facility	188,139
	<u>808,344</u>
Accumulated depreciation	<u>(629,334)</u>
	<u><u>\$ 179,010</u></u>

NOTE 4 – CONCENTRATIONS

The Organization entered into an agreement with the Warren Water and Sewer Department (the "Department") whereby the Department operates the Organization's water system. The Organization purchases its water from the Department. Total cost paid to the Department for the year ended December 31, 2023 was \$51,526.