

FORDYCE RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2024 and 2023

TABLE OF CONTENTS

	Page
INDEPENDENT ACCOUNTANT'S REPORT	
Applying Agreed Upon Procedures	1
Compilation Report	5
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Statement of Activities	7
Statement of Cash Flows	8
Statement of Functional Expenses	9
Notes to Financial Statements	10

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Fordyce Rural Water Association, Inc.

We have performed the procedures enumerated below for the Fordyce Rural Water Association, Inc., ("the Organization"), for the year ended December 31, 2024. The Organization's management is responsible for accounting records.

Fordyce 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.

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

Monticello, Arkansas
March 13, 2025

SEARCY & ASSOCIATES, LLC
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Fordyce Rural Water Association, Inc.

We have compiled the accompanying Statement of Financial Position of Fordyce Rural Water Association, Inc. as of December 31, 2024, and the related statement of activities, cash flows, and functional expenses for the year then ended. We have not audited or reviewed the 2024 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the accompanying financial statements of Fordyce Rural Water Association, Inc., which comprise the statement of financial position as of December 31, 2024, 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.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

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

Monticello, Arkansas
March 13, 2025

FORDYCE RURAL WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 86,999	\$ 101,498
Accounts receivable (net)	34,080	30,868
Total current assets	<u>121,079</u>	<u>132,366</u>
 <u>Investments</u>	 1,244,720	 1,125,099
 <u>Fixed assets, net of accumulated depreciation</u>	 16,934	 10,639
 <u>Other Assets</u>		
Cash reserve - meter deposits	<u>33,575</u>	<u>33,170</u>
Total assets	<u><u>\$ 1,416,308</u></u>	<u><u>\$ 1,301,274</u></u>
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 10,307	\$ 9,707
Accrued interest	343	343
Other accrued expenses	2,529	1,746
Current portion of notes payable	<u>1,119</u>	<u>1,066</u>
Total current liabilities	14,298	12,862
 <u>Long term liabilities</u>		
Notes payable, net of current amount	9,565	10,684
Customer deposits	<u>33,575</u>	<u>33,170</u>
Total long term liabilities	<u>43,140</u>	<u>43,854</u>
Total liabilities	57,438	56,716
 <u>Net assets</u>		
Net assets without donor restrictions	<u>1,358,870</u>	<u>1,244,558</u>
Total liabilities and net assets	<u><u>\$ 1,416,308</u></u>	<u><u>\$ 1,301,274</u></u>

FORDYCE RURAL WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024 and 2023

	2024	2023
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 274,721	\$ 257,213
Water connection fees	-	60
Penalties and late fees	1,533	1,853
Other operating income	2,227	1,501
Total revenues	278,481	260,627
Expenses		
Operating expenses	161,572	152,568
General and administrative	41,536	38,845
Total expenses	203,108	191,413
Income (loss) from operations	75,373	69,214
Non-operating income (expense)		
Interest income and net gain / (loss) on investments	38,026	27,221
Gain on sale of fixed assets	1,500	-
Interest expense	(587)	(638)
Total non-operating income (expense)	38,939	26,583
Change in net assets without donor restrictions	114,312	95,797
Change in net assets with donor restrictions	-	-
<u>Change in net assets</u>	114,312	95,797
<u>Net assets, beginning of year</u>	1,244,558	1,148,761
<u>Net assets, end of year</u>	\$ 1,358,870	\$ 1,244,558

The accompanying notes are an integral part of the financial statements

FORDYCE RURAL WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2024 and 2023

	2024	2023
<u>Cash flows from operating activities</u>		
Income from operations	\$ 75,373	\$ 69,214
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,131	779
Changes in assets and liabilities:		
Accounts payable	600	-
Accrued expenses	783	-
Total adjustments	(698)	779
Net cash provided by (used for) operating activities	74,675	69,993
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(7,426)	-
Purchase of investment securities	(70,000)	(70,000)
Proceeds from sale of fixed assets	1,500	-
Reinvestment of interest income and net gains on investment	(49,621)	(32,973)
Interest income and net gain / (loss) on investments	38,026	27,221
Net cash provided by (used for) investing activities	(87,521)	(75,752)
<u>Cash flows from financing activities</u>		
Principal payments	(1,066)	(1,015)
Interest payments	(587)	(638)
Change in customer deposits	405	930
Net cash provided by (used for) financing activities	(1,248)	(723)
<u>Change in cash and cash equivalents</u>	(14,094)	(6,482)
<u>Cash and cash equivalents, beginning of year</u>	134,668	141,150
<u>Cash and cash equivalents, end of year</u>	\$ 120,574	\$ 134,668
 <u>Cash and cash equivalents</u>	 \$ 86,999	 \$ 101,498
<u>Restricted cash and cash equivalents</u>	33,575	33,170
	\$ 120,574	\$ 134,668

The accompanying notes are an integral part of the financial statements

FORDYCE RURAL WATER ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024 and 2023

	2024		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 95,576	\$ -	\$ 95,576
Repairs and maintenance	47,653	-	47,653
Depreciation	1,074	57	1,131
Management expense	2,875	25,875	28,750
Director's expense	7,270	7,270	14,540
Professional services	-	4,900	4,900
Utilities	3,739	76	3,815
Insurance	1,743	194	1,937
Other expenses	1,642	1,642	3,284
Office supplies	-	1,522	1,522
Total expenses	<u>\$ 161,572</u>	<u>\$ 41,536</u>	<u>\$ 203,108</u>

	2023		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 80,567	\$ -	\$ 80,567
Repairs and maintenance	54,261	-	54,261
Depreciation	740	39	779
Management expense	2,779	25,014	27,793
Director's expense	6,228	6,227	12,455
Professional services	-	4,500	4,500
Utilities	4,048	83	4,131
Insurance	1,670	186	1,856
Other expenses	2,275	2,274	4,549
Office supplies	-	522	522
Total expenses	<u>\$ 152,568</u>	<u>\$ 38,845</u>	<u>\$ 191,413</u>

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

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Fordyce 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.

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An allowance for doubtful accounts is maintained. The allowance for doubtful accounts for the years ended December 31, 2024 and 2023 was \$5,699. 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, 2024, financial statements for subsequent events through March 13, 2025, 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.

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 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:

	2024	2023
Cash and cash equivalents	\$ 120,574	\$ 134,668
Receivables	34,080	30,868
	<u>154,654</u>	<u>165,536</u>
Less: restricted cash for deposit accounts	<u>(33,575)</u>	<u>(33,170)</u>
Available for general expenditure	<u>\$ 121,079</u>	<u>\$ 132,366</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, 2024 and 2023 are \$33,575 and \$33,170, respectively.

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$100,000). As part of its liquidity plan, excess funds are held in investments.

NOTE 3 – INVESTMENTS

The cost and market value of investments are as follows at December 31:

	2024		2023	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments				
Money market	\$ 1,625	\$ 1,625	\$ 25,483	\$ 25,483
Certificate of deposits	434,000	437,165	316,643	316,789
Annuities	666,500	700,230	650,000	675,034
Municipal bonds	110,000	105,700	111,447	107,793
Total	<u>\$ 1,212,125</u>	<u>\$ 1,244,720</u>	<u>\$ 1,103,573</u>	<u>\$ 1,125,099</u>

The investment maturities are as follows at December 31:

	2024			
	Investment Maturity (in Years)			
	Less than 1	1 through 5	6 through 10	More than 10
Investments				
Money market	\$ 1,625	\$ -	\$ -	\$ -
Certificate of deposits	437,165	-	-	-
Annuities	-	214,663	485,568	-
Municipal bonds	-	59,443	-	46,257
Total	<u>\$ 438,789</u>	<u>\$ 274,106</u>	<u>\$ 485,568</u>	<u>\$ 46,257</u>

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 3 – INVESTMENTS (continued)

	2023			
	Investment Maturity (in Years)			
	Less than 1	1 through 5	6 through 10	More than 10
Investments				
Money market	\$ 25,483	\$ -	\$ -	\$ -
Certificate of deposits	316,789	-	-	-
Annuities	214,138	210,120	250,776	-
Municipal bonds	-	-	60,056	47,737
Total	<u>\$ 556,410</u>	<u>\$ 210,120</u>	<u>\$ 310,832</u>	<u>\$ 47,737</u>

NOTE 4 – FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 – Inputs (other than quoted prices with level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

	Assets at Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 1,625	\$ -	\$ -	\$ 1,625
Certificate of deposits	-	437,165	-	437,165
Annuities	-	700,230	-	700,230
Municipal bonds	-	105,700	-	105,700
Total	<u>\$ 1,625</u>	<u>\$ 1,243,095</u>	<u>\$ -</u>	<u>\$ 1,244,720</u>

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 4 – FAIR VALUE MEASUREMENT (continued)

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 25,483	\$ -	\$ -	\$ 25,483
Certificate of deposits	-	316,789	-	316,789
Annuities	-	675,034	-	675,034
Municipal bonds	-	107,793	-	107,793
Total	<u>\$ 25,483</u>	<u>\$ 1,099,616</u>	<u>\$ -</u>	<u>\$ 1,125,099</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Money market: Valued at amortized cost, which approximates fair value.

Municipal bonds, Certificate of deposits, and Annuities: The Organization uses third party pricing services to determine the fair value of its investments. The third-party pricing services use industry-standard models to price the investments that consider various assumptions including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2024	2023
Distribution system	\$ 997,912	\$ 997,912
Furniture & equipment	42,156	42,156
Water plant facility	46,189	51,488
	<u>1,086,257</u>	<u>1,091,556</u>
Accumulated depreciation	<u>(1,069,323)</u>	<u>(1,080,917)</u>
	<u>\$ 16,934</u>	<u>\$ 10,639</u>

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Note payable to the ANRC for the purchase of property and equipment, payable in annual installments of \$1,653, including principal and interest through 2032; interest at 5.00%, secured by property and equipment	\$ 10,684	\$ 11,750

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

2025	\$ 1,119
2026	1,175
2027	1,234
2028	1,295
2029	1,360
Thereafter	4,501
	<u>\$ 10,684</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization pays their treasurer \$2,300 monthly for the Organization's bookkeeping. In addition, there are expense reimbursements paid to the treasurer for office expenses paid by the treasurer on behalf of the Organization. There is an additional Christmas bonus that was given to the treasurer by the Organization. Total amount paid to the Organization's treasurer for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Monthly bookkeeping expense	\$ 27,600	\$ 24,000
Expense reimbursements	4,606	4,511
Christmas bonus	1,000	1,000
Total	<u>\$ 32,206</u>	<u>\$ 28,511</u>

The Organization pays the board president \$900 monthly for the Organization's general monthly operations. In addition, there are expense reimbursements for amounts paid by the president on behalf of the Organization and payments for additional services performed by the president such as lawn care maintenance. There is an additional Christmas bonus that was given to the board president by the Organization. Total amount paid to the Organization's president for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Monthly director's expense	\$ 10,800	\$ 7,200
Expense reimbursements	9,098	4,853
Christmas bonus	1,000	1,000
Total	<u>\$ 20,898</u>	<u>\$ 13,053</u>

FORDYCE RURAL WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

The other board members received compensation of \$75 for attendance to meetings and \$400 for a Christmas bonus for the year ended December 31, 2024.

NOTE 8 – CONCENTRATIONS

The Organization entered into an agreement with the City of Fordyce Water Department (the “Department”) whereby the Department operates the Organization’s water system. The Department is responsible for day to day management functions and decisions, and the maintenance and upkeep of the Organization’s water system. The Organization purchases its water from the Department and pays the an additional \$5 per month per meter for operational costs. Additionally, the Department provides other maintenance and repair services based on a schedule of charges set forth in the agreement between the Organization and the Department.

Total transactions with the Department for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Water purchases	\$ 95,576	\$ 80,567
Maintenance and operation	<u>47,653</u>	<u>54,261</u>
Total	<u>\$ 143,229</u>	<u>\$ 134,828</u>