

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2024 and 2023

TABLE OF CONTENTS

| | Page |
|--|------|
| INDEPENDENT ACCOUNTANT'S REPORT | |
| Statement of Financial Position | 1 |
| Compilation Report | 4 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 5 |
| Statement of Activities | 6 |
| Statement of Cash Flows | 7 |
| Statement of Functional Expenses | 8 |
| Notes to Financial Statements | 9 |

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@searcy-cpa.com

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

To the Board of Directors of the
Lake Chicot Water Supply Association, Inc.

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

Lake Chicot Water Supply 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
April 9, 2025

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@searcy-cpa.com

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of the
Lake Chicot Water Supply Association, Inc.

Management is responsible for the accompanying financial statements of Lake Chicot Water Supply 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.

The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Monticello, Arkansas
April 9, 2025

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2024 and 2023

| | 2024 | 2023 |
|--|------------|------------|
| <u>Assets</u> | | |
| <u>Current assets</u> | | |
| Cash, short term investments and cash equivalents | \$ 693,970 | \$ 597,096 |
| Accounts receivable (net of allowance for doubtful accounts) | 56,107 | 44,283 |
| Other current assets | 500 | 500 |
| Total current assets | 750,577 | 641,879 |
| <u>Fixed assets, net of accumulated depreciation</u> | 136,746 | 154,190 |
| <u>Restricted Assets</u> | | |
| Cash reserve - meter deposits | 57,021 | 53,521 |
| Total assets | \$ 944,344 | \$ 849,590 |
| <u>Liabilities and Net Assets</u> | | |
| <u>Current liabilities</u> | | |
| Accounts payable | \$ 21,709 | \$ 13,474 |
| Other accrued expenses | 2,952 | 2,199 |
| Total current liabilities | 24,661 | 15,673 |
| <u>Long term liabilities</u> | | |
| Customer deposits | 57,021 | 53,521 |
| Total liabilities | 81,682 | 69,194 |
| <u>Net assets</u> | | |
| Net assets without donor restrictions | 862,662 | 780,396 |
| Total liabilities and net assets | \$ 944,344 | \$ 849,590 |

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

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|------------|------------|
| <u>Changes in net assets without donor restrictions</u> | | |
| Revenues | | |
| Water services | \$ 372,849 | \$ 332,611 |
| Penalties and late fees | 8,380 | 9,415 |
| Other operating income | 3,831 | 3,799 |
| Total revenues | 385,060 | 345,825 |
| Expenses | | |
| Operating expenses | 245,195 | 229,323 |
| General and administrative | 80,950 | 55,007 |
| Total expenses | 326,145 | 284,330 |
| Income (loss) from operations | 58,915 | 61,495 |
| Non-operating income (expense) | | |
| Interest income | 23,351 | 8,458 |
| Change in net assets without donor restrictions | 82,266 | 69,953 |
| Change in net assets with donor restrictions | - | - |
| <u>Change in net assets</u> | 82,266 | 69,953 |
| <u>Net assets, beginning of year</u> | 780,396 | 710,443 |
| <u>Net assets, end of year</u> | \$ 862,662 | \$ 780,396 |

The accompanying notes are an integral part of the financial statements

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|------------|------------|
| <u>Cash flows from operating activities</u> | | |
| Income from operations | \$ 58,915 | \$ 61,495 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 17,444 | 19,050 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (11,824) | 714 |
| Accounts payable | 8,235 | 1,003 |
| Accrued expenses | 753 | (300) |
| Total adjustments | 14,608 | 20,467 |
| Net cash provided by (used for) operating activities | 73,523 | 81,962 |
| <u>Cash flows from investing activities</u> | | |
| Interest income | 23,351 | 8,458 |
| <u>Cash flows from financing activities</u> | | |
| Change in customer deposits | 3,500 | 2,941 |
| <u>Change in cash and cash equivalents</u> | 100,374 | 93,361 |
| <u>Cash and cash equivalents, beginning of year</u> | 650,617 | 557,256 |
| <u>Cash and cash equivalents, end of year</u> | \$ 750,991 | \$ 650,617 |
| <u>Cash and cash equivalents</u> | \$ 693,970 | \$ 597,096 |
| <u>Restricted cash and cash equivalents</u> | 57,021 | 53,521 |
| | \$ 750,991 | \$ 650,617 |

The accompanying notes are an integral part of the financial statements

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2024 and 2023

| | 2024 | | |
|-------------------------------|-----------------------------|-------------------------|-------------------|
| | Program (Water) Services | Management & General | Total |
| Water purchases | \$ 130,295 | \$ - | \$ 130,295 |
| Meter services | 49,770 | - | 49,770 |
| Accounting and bookkeeping | - | 36,550 | 36,550 |
| Repairs and maintenance | 26,653 | - | 26,653 |
| Depreciation | 16,572 | 872 | 17,444 |
| Utilities | 6,045 | 1,067 | 7,112 |
| Professional services | - | 33,520 | 33,520 |
| Dues, subscriptions, licenses | 4,284 | 1,071 | 5,355 |
| Insurance | 6,087 | - | 6,087 |
| Office supplies | - | 5,223 | 5,223 |
| Supplies | 3,741 | 197 | 3,938 |
| Other expenses | 1,748 | 1,747 | 3,495 |
| Training | - | 703 | 703 |
| Total expenses | \$ 245,195 | \$ 80,950 | \$ 326,145 |

| | 2023 | | |
|-------------------------------|-----------------------------|-------------------------|-------------------|
| | Program (Water) Services | Management & General | Total |
| Water purchases | \$ 119,154 | \$ - | \$ 119,154 |
| Meter services | 46,102 | - | 46,102 |
| Accounting and bookkeeping | - | 34,950 | 34,950 |
| Repairs and maintenance | 25,754 | - | 25,754 |
| Depreciation | 18,098 | 952 | 19,050 |
| Utilities | 5,931 | 1,047 | 6,978 |
| Professional services | - | 7,005 | 7,005 |
| Dues, subscriptions, licenses | 4,317 | 1,079 | 5,396 |
| Insurance | 5,174 | - | 5,174 |
| Office supplies | - | 5,212 | 5,212 |
| Supplies | 3,766 | 198 | 3,964 |
| Other expenses | 1,027 | 1,027 | 2,054 |
| Bad debt | - | 3,537 | 3,537 |
| Total expenses | \$ 229,323 | \$ 55,007 | \$ 284,330 |

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

LAKE CHICOT WATER SUPPLY 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 Lake Chicot Water Supply Association, Inc. (the “Organization”) is a not-for-profit corporation established on August 19, 1977 under the laws of the State of Arkansas. The Organization 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 Chicot County, primarily around Lake Chicot in Southeast Arkansas.

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.

The Organization’s water supply was purchased 100% from one vendor for the years ending December 31, 2024 and 2023.

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.

NOTE 1 (continued)

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.

The Organization uses the direct write off method for past due accounts that the Organization does not believe will be collected. This is a departure from GAAP, however, the difference between the reserve method and the direct write off method is not materially different to the financial statements.

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 & Lines | 20-50 years |
| System Improvements | 20-40 years |
| Tools & 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.

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 (continued)

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.

Date of Management’s Review

The Organization evaluated its December 31, 2024 and 2023 financial statements for subsequent events through April 9, 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.

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2024.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions’ trust department in the Organization’s name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Organization’s name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization’s bank deposits are as follows:

| Depository | Total | Category 1 | Category 2 | Category 3 |
|------------|-------------------|-------------------|---------------|---------------|
| Bank A | \$ 174,163 | \$ 174,163 | \$ - | \$ - |
| Bank B | 470,836 | 500,000 | - | - |
| Bank C | 106,117 | 106,117 | - | - |
| Total | <u>\$ 751,116</u> | <u>\$ 780,280</u> | <u>\$ -</u> | <u>\$ -</u> |

The amounts shown are bank ledger balances of the referenced banks’ deposits and may differ from the Organization’s general ledger balances.

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 3 – 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:

| | 2024 | 2023 |
|--|------------|------------|
| Cash and cash equivalents | \$ 750,991 | \$ 650,617 |
| Receivables | 56,107 | 44,283 |
| | 807,098 | 694,900 |
| Less: restricted cash for deposit accounts | (57,021) | (53,521) |
| Available for general expenditure | \$ 750,077 | \$ 641,379 |

Restricted cash consists of funds held in reserve by the Organization that is required 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 \$57,021 and \$53,521, respectively.

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$1,000). As part of its liquidity plan, excess cash is held in timed deposits.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following balances at December 31, 2024 and 2023:

| | 2024 | 2023 |
|--------------------------|------------|------------|
| Water plant system | \$ 523,455 | \$ 523,455 |
| Water lines | 62,684 | 62,684 |
| Tools & equipment | 20,754 | 20,754 |
| Booster station | 88,355 | 88,355 |
| Elevated tank | 128,275 | 128,275 |
| | 823,523 | 823,523 |
| Accumulated depreciation | (686,777) | (669,333) |
| | \$ 136,746 | \$ 154,190 |

NOTE 5 – RELATED PARTY TRANSACTIONS

Board members and contracted professionals purchase water from the association on the same basis as all other members. The total sales and amounts receivable from these related parties are not materially significant to the financial statements.