

LADD WATER USERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2025

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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 of the
Ladd Water Users' Association, Inc.

We have performed the procedures enumerated below for the Ladd Water Users' Association, Inc., ("the Organization"), for the year ended December 31, 2025. The Organization's management is responsible for accounting records.

Ladd Water Users' 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
July 9, 2026

SEARCY & ASSOCIATES, LLC
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of the
Ladd Water Users' Association, Inc.

We have compiled the accompanying Statement of Financial Position of Ladd Water Users' Association, Inc as of December 31, 2025, and the related statement of activities, cash flows, and functional expenses for the year then ended. We have not audited or reviewed the 2025 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 Ladd Water Users' Association, Inc., which comprise the statement of financial position as of December 31, 2025, 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.



Monticello, Arkansas
July 9, 2026

LADD WATER USERS' ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2025

	<u>2025</u>
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 136,885
Accounts receivable	47,527
Inventory	53,253
Other current assets	11,878
Total current assets	<u>249,543</u>
 <u>Fixed assets, net of accumulated depreciation</u>	 738,353
 <u>Other Assets</u>	
Cash reserve - meter deposits	56,015
Cash reserve - debt service	12,966
Total other assets	<u>68,981</u>
 Total assets	 <u><u>\$ 1,056,877</u></u>
 <u>Liabilities and Net Assets</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 8,975
Accrued payroll	4,437
Other accrued expenses	17,791
Current portion of notes payable	35,682
Total current liabilities	<u>66,885</u>
 <u>Long term liabilities</u>	
Notes payable, net of current amount	86,149
Customer deposits	56,015
Total long term liabilities	<u>142,164</u>
 Total liabilities	 209,049
 <u>Net assets</u>	
Net assets without donor restrictions	834,862
Net assets with donor restrictions	12,966
Total net assets	<u>847,828</u>
 Total liabilities and net assets	 <u><u>\$ 1,056,877</u></u>

LADD WATER USERS' ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

	<u>2025</u>
<u>Changes in net assets without donor restrictions</u>	
Revenues	
Water services	\$ 569,689
Water connection fees	3,450
Penalties and late fees	11,819
Other operating income	<u>12,024</u>
Total revenues	596,982
Expenses	
Operating expenses	275,636
General and administrative	<u>343,887</u>
Total expenses	<u>619,523</u>
Income (loss) from operations	(22,541)
Non-operating income (expense)	
Interest income	211
Interest expense	<u>(6,080)</u>
Total non-operating income (expense)	<u>(5,869)</u>
Change in net assets without donor restrictions	(28,410)
Change in net assets with donor restrictions	-
<u>Change in net assets</u>	(28,410)
<u>Net assets, beginning of year</u>	<u>876,238</u>
<u>Net assets, end of year</u>	<u><u>\$ 847,828</u></u>

The accompanying notes are an integral part of the financial statements

LADD WATER USERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	<u>2025</u>
<u>Cash flows from operating activities</u>	
Income from operations	\$ (22,541)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	110,157
Changes in assets and liabilities:	
Accounts receivable	(2,236)
Other current assets	-
Accounts payable	-
Accrued expenses	(513)
Total adjustments	<u>107,408</u>
Net cash provided by (used for) operating activities	<u>84,867</u>
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(76,801)
Interest income	<u>211</u>
Net cash provided by (used for) investing activities	<u>(76,590)</u>
<u>Cash flows from financing activities</u>	
Principal payments	(10,464)
Interest payments	(6,080)
Change in customer deposits	<u>1,990</u>
Net cash provided by (used for) financing activities	<u>(14,554)</u>
<u>Change in cash and cash equivalents</u>	(6,277)
<u>Cash and cash equivalents, beginning of year</u>	<u>212,143</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 205,866</u>
 <u>Cash and cash equivalents</u>	 \$ 136,885
<u>Restricted cash and cash equivalents</u>	<u>68,981</u>
	<u>\$ 205,866</u>

The accompanying notes are an integral part of the financial statements

LADD WATER USERS' ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	2025		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 29,588	\$ 266,294	\$ 295,882
Depreciation	104,649	5,508	110,157
Contract labor	1,755	-	1,755
Supplies	35,697	3,966	39,663
Repairs and maintenance	15,481	815	16,296
Utilities	24,975	4,407	29,382
Insurance	35,294	8,823	44,117
Office supplies	-	13,794	13,794
Professional services	-	10,065	10,065
Dues, subscriptions, licenses	3,802	3,802	7,604
Rent expense	2	30	32
Travel expenses	15,765	830	16,595
Payroll taxes	1,697	15,268	16,965
Communication	3,009	1,003	4,012
Training	48	2	50
Other expenses	3,874	3,873	7,747
Bad debt	-	5,407	5,407
Total expenses	<u>\$ 275,636</u>	<u>\$ 343,887</u>	<u>\$ 619,523</u>

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

LADD WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Ladd Water Users' 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.

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.

LADD WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025

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
Vehicles & 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.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income from these net assets may be used for specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net ass released from 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.

LADD WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025

Date of Management's Review

The Organization evaluated its December 31, 2025 financial statements for subsequent events through July 9, 2026, 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 – 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:

	2025
Cash and cash equivalents	\$ 136,885
Receivables	47,527
	<u>184,412</u>
Less: restricted cash for deposit accounts	(56,015)
Less: restricted cash for debt requirements	<u>(12,966)</u>
Available for general expenditure	<u>\$ 115,431</u>

Restricted cash consists of funds held in reserve by the Organization required by lenders. In accordance with loan covenants, the Organization maintains a separate cash account for major repairs and replacements of assets. It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. Total cash required to be restricted for this purpose is \$12,966 at December 31, 2025.

An additional reserve 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, 2025 is \$56,015.

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (currently approximately \$105,000). As part of its liquidity plan, excess cash is held in timed deposits.

NOTE 3 – 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, 2025.

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.

LADD WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2025

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	\$ 92,939	\$ 92,939	\$ -	\$ -
Bank B	9,966	9,966	-	-
Bank C	88,157	88,157	-	-
Bank D	18,630	18,630	-	-
Total	<u>\$ 209,692</u>	<u>\$ 209,692</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.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2025
Land	\$ 28,478
Distribution system	3,610,284
Furniture & equipment	342,268
Vehicles	120,521
Buildings	<u>150,346</u>
	4,251,897
Accumulated depreciation	<u>(3,513,544)</u>
	<u>\$ 738,353</u>

LADD WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025

NOTE 5 – LONG-TERM DEBT

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

	<u>2025</u>
Note payable to the Communities Unlimited for the purchase of property and equipment, payable in 120 monthly installments of \$552, including principal and interest through 2032; interest at 4.5%, secured by property and equipment	\$ 38,879
Note payable to the Communities Unlimited for the purchase of property and equipment, payable in 120 monthly of \$622, including principal and interest through 2028; interest at 4.500%, secured by property and equipment	20,837
Note payable to the Communities Unlimited for the purchase of property and equipment, payable in 120 monthly of \$912, including principal and interest through 2029; interest at 4.500%, secured by property and equipment	35,911
Note payable to the USDA for the purchase of property and equipment, payable in 480 annual installments of \$894, including principal and interest through 2026; interest at 5.750%, secured by property and equipment	6,260
Note payable to a federal credit union for the purchase of property and equipment, payable in 36 monthly \$761, including principal and interest through 2028; interest at 5.29%, secured by property and equipment	19,944
Total debt	<u>\$ 121,831</u>

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

	<u>Principal</u>	<u>Interest</u>
2026	\$ 35,682	\$ 4,862
2027	30,842	3,319
2028	26,005	1,927
2029	11,981	1,026
2030	5,953	670
Thereafter	11,368	508
	<u>\$ 121,831</u>	<u>\$ 12,312</u>

SUPPLEMENTARY INFORMATION

LADD WATER USERS' ASSOCIATION, INC.
SCHEDULE OF SYSTEM INFORMATION
For the Year Ended December 31, 2025

Number of Water Users 835

Annual billable gallons of water 40,279,184

Date of last rate study: July 7, 2025

Next required date: July 7, 2030

Met the Board/Council training requirements: Yes

Debt Service Coverage Ratio (1.05 minimum required)

Net Income (loss) \$ (28,410)

Add: Depreciation 110,157

Add: Interest expense 6,080

Subtract: Interest income (211)

Total \$ 87,616

Divided by next year principal & interest \$ 40,544

Debt service coverage ratio 2.16

Free Cash Flow Determination

Total unrestricted cash \$ 136,885

One twelfth of total expenses 52,134

Excess / (deficient) cash \$ 84,751