

**NORTH PIKE COUNTY RURAL WATER ASSOCIATION
PUBLIC WATER AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2024 and 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 Management and Board of Directors
of North Pike County Rural Water Association Public Water Authority

We have performed the procedures enumerated below for the North Pike County Rural Water Association Public Water Authority, ("the Authority"), the year ended December 31, 2024. The Authority's management is responsible for accounting records.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. 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.

Finding: 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 Authority 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 Authority 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 Authority, 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 6, 2025

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To the Management and Board of Directors
of North Pike County Rural Water Association Public Water Authority

We have compiled the accompanying Statement of Financial Position of North Pike County Rural Water Association Public Water Authority 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 North Pike County Rural Water Association Public Water Authority, 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.



Monticello, Arkansas
February 6, 2025

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 313,561	\$ 345,365
Accounts receivable (net)	<u>92,076</u>	<u>93,670</u>
Total current assets	405,637	439,035
<u>Restricted cash and investments</u>		
Meter deposits	82,918	75,163
<u>Fixed assets, net of accumulated depreciation</u>	<u>2,387,090</u>	<u>2,549,375</u>
Total assets	<u><u>\$ 2,875,645</u></u>	<u><u>\$ 3,063,573</u></u>
<u>Liabilities and Net Position</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 7,027	\$ 7,027
Accrued interest	100	100
Other accrued expenses	10,139	4,490
Current portion of note payable	<u>165,100</u>	<u>159,707</u>
Total current liabilities	182,366	171,324
<u>Long term liabilities</u>		
Note payable, net of current amount	958,166	1,185,401
Customer deposits	<u>82,918</u>	<u>75,163</u>
Total long term liabilities	1,041,084	1,260,564
<u>Net position</u>		
Invested in capital assets, net of related debt	1,417,053	1,357,496
Unrestricted	<u>235,142</u>	<u>274,189</u>
Total net position	<u><u>1,652,195</u></u>	<u><u>1,631,685</u></u>
Total liabilities and net position	<u><u>\$ 2,875,645</u></u>	<u><u>\$ 3,063,573</u></u>

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

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Operating revenues</u>		
Water services	\$ 703,059	\$ 649,855
Other operating revenue	<u>46,145</u>	<u>35,062</u>
Total operating revenue	749,204	684,917
<u>Operating expenses</u>		
Plant operations and distribution	410,761	380,633
General and administrative	109,745	98,927
Depreciation	<u>177,563</u>	<u>175,104</u>
Total operating expenses	698,069	654,664
Income / (loss) from operations	51,135	30,253
<u>Other revenue / (expenses)</u>		
Interest income	455	558
Interest expense	<u>(31,080)</u>	<u>(36,512)</u>
Total other revenue / (expenses)	<u>(30,625)</u>	<u>(35,954)</u>
<u>Change in net position</u>	<u>20,510</u>	<u>(5,701)</u>
<u>Net position, beginning of year</u>	<u>1,631,685</u>	<u>1,637,386</u>
Change in net invested in capital assets	59,557	221,993
Change in unrestricted assets	<u>(39,047)</u>	<u>(227,694)</u>
Change in net position	<u>20,510</u>	<u>(5,701)</u>
<u>Net position, end of year</u>	<u>\$ 1,652,195</u>	<u>\$ 1,631,685</u>

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

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY**STATEMENT OF CASH FLOWS (Continued)**

For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 750,798	\$ 690,637
Payments for salaries and benefits	(119,370)	(112,923)
Payments for operating supplies	(395,487)	(367,793)
Net cash provided by (used for) operating activities	<u>235,941</u>	<u>209,921</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(15,278)	(27,392)
Interest income	455	558
Net cash provided by (used for) investing activities	<u>(14,823)</u>	<u>(26,834)</u>
<u>Cash flows from financing activities</u>		
Principal payments	(221,842)	(216,476)
Interest payments	(31,080)	(36,512)
Change in customer deposits	7,755	7,220
Net cash provided by (used for) financing activities	<u>(245,167)</u>	<u>(245,768)</u>
<u>Change in cash and cash equivalents</u>	(24,049)	(62,681)
<u>Cash and cash equivalents, beginning of year</u>	<u>420,528</u>	<u>483,209</u>
<u>Cash and cash equivalents, end of year</u>	<u>396,479</u>	<u>420,528</u>
<u>Cash and cash equivalents</u>	313,561	345,365
<u>Restricted cash and cash equivalents</u>	82,918	75,163
	<u>\$ 396,479</u>	<u>\$ 420,528</u>

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

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY**STATEMENT OF CASH FLOWS (Continued)**

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Reconciliation of operating income to</u>		
<u>net cash from operating activities:</u>		
Operating income (loss)	<u>\$ 51,135</u>	<u>\$ 30,253</u>
Adjustments to reconcile operating income to		
net cash from operating activities:		
Depreciation	177,563	175,104
Changes in assets and liabilities:		
Accounts receivable	1,594	5,720
Accounts payable	-	(5,646)
Accrued expenses	<u>5,649</u>	<u>4,490</u>
Total adjustments	<u>184,806</u>	<u>179,668</u>
Net cash provided by (used for) operating activities	<u><u>\$ 235,941</u></u>	<u><u>\$ 209,921</u></u>

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

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

North Pike County Rural Water Authority Public Water Authority (the "Authority") has been designated a public water authority by the state of Arkansas. The Authority is operated by an independent board of directors for the purpose of distributing water to customers in the rural areas of Pike County. The Authority has adopted the provisions of Statement 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority is not a component unit of another entity. The Authority is not financially accountable for any other organization.

B. Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Authority. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Authority.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Authority applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

D. Use of Estimate

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Authority 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.

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 1 (continued)

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is 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.

Fixed Assets

Fixed assets 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
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Authority's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$1,000.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

F. Date of Management's Review

The Authority evaluated its December 31, 2024, financial statements for subsequent events through February 6, 2025, the date the financial statements were available to be issued. The Authority is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it.

The schedule below is designed to disclose the level of custodial credit risk assumed by the Authority 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 Authority (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 Authority'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 Authority's name or collateralized with no written or approved collateralized agreement.

The level of Security for the Authority's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 404,086	\$ 250,000	\$ 154,086	\$ -

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Authority's general ledger balances.

The Authority has certain amounts of its cash accounts restricted at December 31, 2024 as follows:

Meter deposits	<u>\$ 82,918</u>
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Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Authority or for offsetting any amounts owed by the customer upon departure.

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 3 – CHANGES IN FIXED ASSETS

Changes in fixed assets for the years ended December 31, 2024 and 2023 are as follows:

	Balance December 31, 2022	Transfers/ Additions	Disposals	Balance December 31, 2023
Land	\$ 11,077	\$ -	\$ -	\$ 11,077
Buildings & Equipment	4,811,779	20,602	-	4,832,381
Furniture and fixtures	1,013,640	6,790	-	1,020,430
Vehicles	44,058	-	-	44,058
	<u>5,880,554</u>	<u>27,392</u>	<u>-</u>	<u>5,907,946</u>
Accumulated depreciation	<u>(3,183,467)</u>	<u>(175,104)</u>	<u>-</u>	<u>(3,358,571)</u>
	<u><u>\$ 2,697,087</u></u>	<u><u>\$ (147,712)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,549,375</u></u>
	Balance December 31, 2023	Transfers/ Additions	Disposals	Balance December 31, 2024
Land	\$ 11,077	\$ -	\$ -	\$ 11,077
Buildings & Equipment	4,832,381	12,005	-	4,844,386
Furniture and fixtures	1,020,430	3,273	-	1,023,703
Vehicles	44,058	-	-	44,058
	<u>5,907,946</u>	<u>15,278</u>	<u>-</u>	<u>5,923,224</u>
Accumulated depreciation	<u>(3,358,571)</u>	<u>(177,563)</u>	<u>-</u>	<u>(3,536,134)</u>
	<u><u>\$ 2,549,375</u></u>	<u><u>\$ (162,285)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,387,090</u></u>

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 4 – LONG-TERM DEBT

Diamond Bank Note Payable

On December 1, 2021, the Authority consolidated and refinanced the long-term debt by obtaining a note payable from Diamond Bank in the amount of \$1,444,299 with an interest rate of 2.25%. The proceeds were used to pay the outstanding principal and accrued interest on the long-term debt to the United States Department of Agriculture and the Arkansas Natural Resource Commission. The note is for a period 15 years with minimum monthly payments of principal and interest of \$9,462. The note is secured by the Authority's assets.

Central Bank Lease Payable

The Authority has entered into a lease agreement for the installation and use of new water meters with Secure Vision of America in which payments will be financed through Central Bank. The minimum annual lease payments are \$78,058 with the first installment due January 2023 and for each year after through the end of the lease term in January 2029. The lease has purchase option agreements starting in January 2026 through the end of the lease term in January 2029. The lease has an imputed interest rate of 2.967%.

Changes in long term debt for the years ended December 31, 2024 and 2023 are as follows:

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023	Amounts Due Within One Year
Central Bank finance lease purchase of new meters	\$ 423,320	\$ -	\$ (65,498)	\$ 357,822	\$ 67,442
Diamond Bank refinance note payable (consolidation)	1,138,264	-	(150,978)	987,286	92,265
Diamond Bank refinance note payable (consolidation)	<u>\$ 1,561,584</u>	<u>\$ -</u>	<u>\$ (216,476)</u>	<u>\$ 1,345,108</u>	<u>\$ 159,707</u>
	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024	Amounts Due Within One Year
Central Bank finance lease purchase of new meters	\$ 357,822	\$ -	\$ (67,442)	\$ 290,380	\$ 69,443
Diamond Bank refinance note payable (consolidation)	987,286	-	(154,400)	832,886	95,657
	<u>\$ 1,345,108</u>	<u>\$ -</u>	<u>\$ (221,842)</u>	<u>\$ 1,123,266</u>	<u>\$ 165,100</u>

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 4 – (continued)

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

Year Ending December 31,	Principal	Interest	Total
2025	\$ 165,100	\$ 26,491	\$ 191,591
2026	169,454	22,137	191,591
2027	173,802	17,789	191,591
2028	178,264	13,327	191,591
2029	104,784	8,748	113,532
2030-2034	331,862	11,740	343,602
	<u>\$ 1,123,266</u>	<u>\$ 100,232</u>	<u>\$ 1,223,498</u>

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 6 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Authority from the financial statements which are required by GAAP.

SUPPLEMENTARY INFORMATION

NORTH PIKE COUNTY RURAL WATER ASSOCIATION PUBLIC WATER AUTHORITY
SCHEDULE OF OPERATING EXPENSES

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Plant operations and distributions</u>		
Water purchases	\$ 267,081	\$ 257,477
Salaries, wages, and benefits	67,298	63,887
Repairs and maintenance	54,390	38,843
Utilities	12,349	11,801
Payroll taxes	5,518	4,997
Operating supplies and other	4,125	3,628
Total plant operations and distributions	<u>410,761</u>	<u>380,633</u>
 <u>General and administrative</u>		
Salaries, wages, and benefits	43,026	40,845
Office supplies	28,032	24,055
Insurance	25,106	22,554
Professional fees	5,500	5,500
Payroll taxes	3,528	3,194
Other expenses	4,553	2,779
Total general and administrative	<u>109,745</u>	<u>98,927</u>
 <u>Depreciation</u>	<u>177,563</u>	<u>175,104</u>
 Total operating expenses	<u><u>\$ 698,069</u></u>	<u><u>\$ 654,664</u></u>

See Independent Accountant's Compilation Report.