

BEE BRANCH WATER ASSOCIATION, INC.
(A Nonprofit Organization)
Bee Branch, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2023 and 2022
and
INDEPENDENT AUDITOR'S REPORT

BEE BRANCH WATER ASSOCIATION, INC.
(A Nonprofit Organization)
Bee Branch, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Bee Branch Water Association, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bee Branch Water Association, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bee Branch Water Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Period Financial Statements

The financial statements of Bee Branch Water Association, Inc. as of December 31, 2022 were audited by other auditors whose report dated July 19, 2024, expressed an unqualified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bee Branch Water Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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**Board of Directors
Bee Branch Water Association, Inc.**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bee Branch Water Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bee Branch Water Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

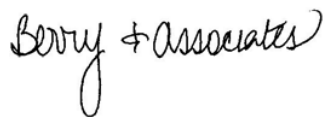
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Information Required by the USDA Rural Development is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by the USDA Rural Development is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2025 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
April 21, 2025

BEE BRANCH WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

<u>ASSETS</u>		
ASSETS	2023	2022
Cash and cash equivalents	\$ 4,670	\$ 6,044
Accounts receivable	117,330	102,809
Other receivables	-	9,525
Inventory	-	27,337
Cash restricted for long-term debt reserves	159,757	184,379
Capital assets, net of accumulated depreciation	3,002,468	3,102,040
TOTAL ASSETS	\$ 3,284,225	\$ 3,432,134
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 142,561	\$ 72,442
Sales tax payable	6,768	-
Accrued interest payable	1,224	1,141
Other current liabilities	12,766	11,976
Customer water meter deposits	157,498	155,613
Current maturities of long-term debt	46,300	38,620
Line of credit	44,054	49,689
Long-term debt, net of current maturities	1,290,798	1,313,825
TOTAL LIABILITIES	1,701,969	1,643,306
NET ASSETS		
Without donor restrictions	1,520,561	1,788,828
With donor restrictions	61,695	-
TOTAL NET ASSETS	1,582,256	1,788,828
TOTAL LIABILITIES AND NET ASSETS	\$ 3,284,225	\$ 3,432,134

The accompanying notes to the financial statements are an integral part of these statements

BEE BRANCH WATER ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
UNRESTRICTED REVENUES AND GAINS		
Water and sewer revenue	\$ 1,128,223	\$ 1,108,426
Late fees	21,696	17,320
Tap fees	16,240	19,182
Reconnect fees	3,720	7,335
Other charges	70,012	74,216
Miscellaneous income	19,741	20,622
Gain on sale of assets	-	9,525
Fraud reimbursement income	9,000	9,000
Interest income	1,274	1,247
Total revenues and gains without donor restrictions	<u>1,269,906</u>	<u>1,266,873</u>
EXPENSES		
Water program:		
Water purchases	771,593	747,220
Salaries	139,370	143,401
Payroll tax expense	10,731	11,065
Contract labor	34,306	14,251
Fuel	18,554	16,637
Equipment rental	-	4,469
Truck expense	25,703	12,364
Repairs & maintenance	56,941	46,357
Depreciation expense	138,886	134,299
Supporting services:		
Utilities	78,553	70,423
Rental expense	6,000	6,000
Legal and accounting	15,416	15,340
Office expense	17,031	17,551
Supplies	54,133	27,657
Insurance	40,273	42,286
Employee benefits	3,495	4,685
Postage	7,410	6,352
Travel	1,203	1,060
Interest expense	40,380	38,519
Bad debt expense	5,212	(43)
Miscellaneous expenses	11,232	13,784
Total Expenses	<u>1,476,422</u>	<u>1,373,677</u>
DECREASE IN NET ASSETS	(206,516)	(106,804)
NET ASSETS - BEGINNING OF YEAR	<u>1,788,772</u>	<u>1,895,576</u>
NET ASSETS - END OF YEAR	<u>\$ 1,582,256</u>	<u>\$ 1,788,772</u>

The accompanying notes to the financial statements are an integral part of these statements

BEE BRANCH WATER ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,250,173	\$ 1,262,038
Cash payments to employees	(139,370)	(143,401)
Cash payments for goods and services	(1,078,388)	(1,114,907)
Net cash provided by operating activities	<u>32,415</u>	<u>3,730</u>
Cash flows from investing activities:		
Increase in customers meter deposits payable	1,885	4,312
Purchase of capital assets	(39,314)	-
Proceeds from sale of capital assets	-	9,525
Net cash provided (used) by investing activities	<u>(37,429)</u>	<u>13,837</u>
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	27,463	54,548
Principal payments on line of credit	(5,635)	(57,859)
Principal payments on long-term debt	(42,810)	(37,465)
Increase in restricted cash	24,622	15,908
Net cash provided (used) by capital and related financing activities	<u>3,640</u>	<u>(24,868)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,374)</u>	<u>(7,301)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,044</u>	<u>13,345</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,670</u>	<u>\$ 6,044</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (206,516)	\$ (106,804)
Adjustment to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	138,886	134,299
Gain on sale of assets	-	(9,525)
(Increase) Decrease In:		
Other receivable	9,525	(9,525)
Inventory	27,337	-
Accounts receivable	(14,577)	(7,448)
Increase (Decrease) In:		
Accounts payable	70,119	2,764
Sales tax payable	6,768	-
Other current liabilities	790	-
Accrued interest payable	83	(31)
Total adjustments	<u>238,931</u>	<u>110,534</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 32,415</u>	<u>\$ 3,730</u>

The accompanying notes to the financial statements are an integral part of these statements

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Bee Branch Water Association, Inc. was formed as a nonprofit organization, under the laws of the State of Arkansas. The purpose of the Association is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

Management of the Association has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Allowance for Bad Debts

Allowance for bad debts is determined using the specific write-off method. This method is not in accordance with generally accepted accounting principles, but use of this method is not considered a material misstatement of the financial statements.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Association defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Lines	25-40
Tanks	25-40
Pumps	25-40
Building	40
Office Equipment	3-7
Vehicles	5
Land	-

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Association. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Association's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Income Taxes

The Association has been recognized as exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code and a similar provision of state laws. As such, they are required to file IRS Form 990 on an annual basis.

Cash Equivalents

For the purpose of the Statement of Cash Flows, the Bee Branch Water Association, Inc. considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Equity Classifications

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following two components:

With donor restrictions- This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Without donor restrictions - This component of net assets consists of net assets not subject to donor - imposed restrictions.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the Association. The budget of the Association is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

Restricted Assets

Certain proceeds of the Association's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Financial Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Restricted assets set aside for debt service reserves at December 31, 2023 and 2022 totaled \$159,757 and \$184,379 respectively.

Adoption of GASB 87

Effective January 1, 2023, the Association adopted GASB 87, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Results for periods beginning prior to January 1, 2023 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of GASB 87 did not have a material impact on the Fund's results of operations or cash flows.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Reclassifications

Certain amounts reported in 2022 have been reclassified to conform to the presentation at December 31, 2023.

Inventory Costing

Inventories are stated at cost on first in, first out (FIFO) basis.

NOTE 2 - LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
USDA Department of Rural Development loan, due in monthly installments of \$1,289 including interest at 3.00%, beginning December 2010 through December 2050. The loan is secured by property and equipment of the system. (1)	\$ 285,507	\$ 292,299
USDA Department of Rural Development loan, due in monthly installments of \$1,320 including interest at 2.75%, beginning August 2015 through December 2038. The loan is secured by property and equipment of the system. (2)	190,675	201,116
USDA Department of Rural Development loan, due in monthly installments of \$3,295 including interest at 2.75%, beginning August 2015 through December 2054. The loan is secured by property and equipment of the system. (3)	816,977	833,799
Loan Payable to Arkansas Natural Resources Commission, due in annual installments of \$5,828, including a service fee of 0.5%. The loan is secured by water revenues. (4)	20,665	25,231
Loan Payable to First Arkansas Bank & Trust, due in monthly installments of \$658. The loan is secured by deposit accounts. (5)	<u>23,274</u>	<u>-</u>
	1,337,098	1,352,445
Less Current Portion	(46,300)	(38,620)
Long Term Portion	<u>\$ 1,290,798</u>	<u>\$ 1,313,825</u>

(1) The loan agreement with USDA Department of Rural Development has a restrictive covenant, including the requirement to maintain a debt service reserve fund in the amount of \$15,468 for the life of the loan.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 - LONG-TERM DEBT (continued):

- (2) The loan agreement with USDA Department of Rural Development has a restrictive covenant, including the requirement to maintain a debt service reserve fund in the amount of \$15,840 for the life of the loan.
- (3) The loan agreement with USDA Department of Rural Development has a restrictive covenant, including the requirement to maintain a debt service reserve fund in the amount of \$39,540 for the life of the loan.
- (4) The bond agreement with Arkansas Natural Resources Commission has a restrictive covenant, to accumulate a depreciation reserve equal to 3 percent of the gross system revenues.
- (5) This loan has no restrictive covenants.

Maturities of long-term debt in the years subsequent to December 31, 2023 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 46,300	\$ 38,277	\$ 84,577
2025	48,000	36,577	84,577
2026	49,800	34,777	84,577
2027	46,039	33,050	79,089
2028	39,200	31,648	70,848
2029-2033	213,100	141,140	354,240
2034-2038	239,175	109,196	348,371
2039-2043	196,200	78,840	275,040
2044-2048	225,900	49,140	275,040
2049-2053	210,807	16,723	227,530
2054	22,577	123	22,700
	<u>\$ 1,337,098</u>	<u>\$ 109,631</u>	<u>\$ 1,446,729</u>

Long-term liability activity for the years ended December 31, 2023 and 2022 is as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>12/31/2022</u>	<u>Additions</u>	<u>12/31/2023</u>	<u>One Year</u>
Long Term Debt				
Loan	\$ <u>1,352,445</u>	\$ <u>27,463</u>	\$ <u>1,337,098</u>	\$ <u>46,300</u>
		\$ <u>(42,810)</u>		
	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>12/31/2021</u>	<u>Additions</u>	<u>12/31/2022</u>	<u>One Year</u>
Long Term Debt				
Loan	\$ <u>1,442,910</u>	\$ <u>-</u>	\$ <u>1,352,445</u>	\$ <u>49,689</u>
		\$ <u>(90,465)</u>		

The Association has pledged future water customer revenues, net of specified operating expenses, to repay \$1,337,098 in long-term debt. Proceeds from the bonds/loans were used for the rehabilitation of the Association's storage tank and to improve system-wide water meters and meter reading. Principal and interest on the bonds/loans are payable through October 2054, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2023 were \$42,810 and \$39,065, respectively. Principal and interest paid in the year ended December 31, 2022 were \$90,465 and \$42,678, respectively.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the Association’s name.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 is as follows:

	Balance 12/31/2022	Additions	Deletions/ Transfers	Balance 12/31/2023
Lines	\$ 4,635,329	\$ -	\$ -	\$ 4,635,329
Tanks	964,614	-	-	964,614
Pumps	89,427	-	-	89,427
Building	55,500	-	-	55,500
Office Equipment	23,425	-	-	23,425
Vehicles	83,929	39,314	-	123,243
Land	30,875	-	-	30,875
Total	<u>5,883,099</u>	<u>\$ 39,314</u>	<u>\$ -</u>	<u>5,922,413</u>
Less: Accumulated Depreciation	<u>(2,781,059)</u>			<u>(2,919,945)</u>
Total Capital Assets	<u>\$ 3,102,040</u>			<u>\$ 3,002,468</u>

	Balance 12/31/2021	Additions	Deletions/ Transfers	Balance 12/31/2022
Lines	\$ 4,635,329	\$ -	\$ -	\$ 4,635,329
Tanks	964,614	-	-	964,614
Pumps	89,427	-	-	89,427
Building	55,500	-	-	55,500
Office Equipment	23,425	-	-	23,425
Vehicles	129,318	-	(45,389)	83,929
Land	30,875	-	-	30,875
Total	<u>5,928,488</u>	<u>\$ -</u>	<u>\$ (45,389)</u>	<u>5,883,099</u>
Less: Accumulated Depreciation	<u>(2,692,149)</u>			<u>(2,781,059)</u>
Total Capital Assets	<u>\$ 3,236,339</u>			<u>\$ 3,102,040</u>

NOTE 5 – LINE OF CREDIT

The Association has entered into a revolving credit agreement with First Arkansas Bank & Trust to meet its short-term working capital needs. The line of credit agreement provides for borrowings up to \$54,548 at an interest rate of 2.6%; is collateralized by deposit accounts with the bank; and expires June 17, 2025. The Association has a total outstanding balance of \$44,054 at December 31, 2023.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2023</u>	<u>2022</u>
Financial assets at year end	\$ 281,757	\$ 320,569
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for long-term debt reserves	<u>159,757</u>	<u>184,379</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 122,000</u>	<u>\$ 136,190</u>

As part of the Association’s liquidity management, it invests cash in excess of daily requirements in short-term investments, typically certificates of deposit and savings accounts.

NOTE 7 – COMMITMENTS:

The Association purchases water supply from the City of Clinton, Arkansas on a year-to-year contract basis. Total water purchases for the year ended December 31, 2023 and 2022 was \$771,593 and \$747,220, respectively.

NOTE 8 – EMPLOYEE ANNUITY PLAN:

The Association has adopted an employee annuity plan which provides future benefits to employees and incurred costs related to the plan of \$2,134 and \$3,271 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 21, 2025, which is the date the financial statements were available to be issued. As of April 21, 2025, Bee Branch Water is in negotiations with Clinton Water Department to merge their operations. Clinton Water Department is currently running their billing operations, collecting payments, and running water operations of the System.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Board of Directors
Bee Branch Water Association, Inc.
Bee Branch, Arkansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bee Branch Water Association, Inc. (the "Association"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated April 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-01, that we consider to be significant deficiencies.

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying list of findings as items 2023-02.

Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying Schedule of Finding and Responses. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Berry & Associates, P.A.
Little Rock, Arkansas
April 21, 2025

BEE BRANCH WATER ASSOCIATION, INC
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2023

2023-01 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for customer billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity, including posting and writing checks, also reconciles the bank statement. In addition, only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The Association's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management of the Association should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the Association might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View of Responsible Officials: The Association has attempted to segregate duties, but due to the limited number of personnel, effective segregation of duties is not possible.

2023-02 Compliance –Loan Covenants

Criteria: The Association was not in compliance with the loan covenants established by the United States Department of Agriculture – Rural Development.

Condition: Loan covenants with the United States Department of Agriculture - Rural Development require a debt service reserve and a depreciation reserve. The loan covenants were underfunded in these respective reserve accounts at December 31, 2023 in the amount of \$268,073. This condition was also noted in 2022.

Cause: The monthly deposits made to the depreciation reserve account are not adequate to comply with the loan covenant.

Effect or Potential Effect: Without having the proper reserve accounts, the Association risks having the ability to pay for any major repair, and is not in compliance with the loan covenant.

Recommendation: We recommend that the Association start making the required monthly transfers to the depreciation accounts.

View of Responsible Officials: The Association concurs with the recommendation.

**BEE BRANCH WATER ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
DECEMBER 31, 2023**

WATER RATE SCHEDULE:

<u>Water Rates</u>		<u>Per Thousand Gallons</u>
Rate Schedule 1 - Residential		
First 1,000 gallons (minimum charge)	\$	28.03
All over 1,000 gallons		10.49
Rate Schedule 2 - Commerical		
First 4,000 gallons (minimum charge)	\$	80.86
All over 4,000 gallons		10.49

At December 31, 2023 water service was provided to 1,461 users.

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving affect to various adjustments.

Reserve accounts are not being properly maintained.

BOARD MEMBERS:

<u>Name</u>	<u>Title</u>
David Hess	Board Chairman
Marty Smith	Board Member
Michael Collings	Board Member
Chris Linn	Board Member
Jodie Linn	Board Member
Jim Hopper	Board Member