

BEE BRANCH WATER ASSOCIATION, INC.
(A Nonprofit Organization)
Bee Branch, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023
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, 2024 and 2023

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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, 2024 and 2023, 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, 2024, 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.

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.

**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.

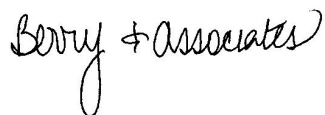
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit and compliance.

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 June 4, 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
June 4, 2025

BEE BRANCH WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

| <u>ASSETS</u> | | |
|---|---------------------|---------------------|
| ASSETS | 2024 | 2023 |
| Cash and cash equivalents | \$ 30,194 | \$ 4,670 |
| Accounts receivable | 111,962 | 117,330 |
| Cash restricted for long-term debt reserves | 174,784 | 159,757 |
| Capital assets, net of accumulated depreciation | 2,876,622 | 3,002,468 |
| TOTAL ASSETS | \$ 3,193,562 | \$ 3,284,225 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ 264,111 | \$ 142,561 |
| Sales tax payable | 6,836 | 6,768 |
| Accrued interest payable | 1,130 | 1,224 |
| Other current liabilities | 4,904 | 12,766 |
| Customer water meter deposits | 163,474 | 157,498 |
| Current maturities of long-term debt | 48,000 | 46,300 |
| Line of credit | 39,061 | 44,054 |
| Long-term debt, net of current maturities | 1,241,640 | 1,290,798 |
| TOTAL LIABILITIES | 1,769,156 | 1,701,969 |
| NET ASSETS | | |
| Without donor restrictions | 1,362,415 | 1,520,561 |
| With donor restrictions | 61,991 | 61,695 |
| TOTAL NET ASSETS | 1,424,406 | 1,582,256 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,193,562 | \$ 3,284,225 |

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, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| UNRESTRICTED REVENUES AND GAINS | | |
| Water and sewer revenue | \$ 1,188,687 | \$ 1,128,223 |
| Late fees | 21,819 | 21,696 |
| Tap fees | 17,040 | 16,240 |
| Reconnect fees | 4,760 | 3,720 |
| Other charges | 105,337 | 70,012 |
| Miscellaneous income | 8,963 | 19,741 |
| Fraud reimbursement income | 8,250 | 9,000 |
| Interest income | 1,468 | 1,274 |
| Total revenues and gains without donor restrictions | <u>1,356,324</u> | <u>1,269,906</u> |
| EXPENSES | | |
| Water program: | | |
| Water purchases | 816,843 | 771,593 |
| Salaries | 171,057 | 139,370 |
| Payroll tax expense | 12,475 | 10,731 |
| Contract labor | 16,996 | 34,306 |
| Fuel | 23,747 | 18,554 |
| Truck expense | 12,733 | 25,703 |
| Repairs & maintenance | 88,639 | 56,941 |
| Depreciation expense | 125,845 | 138,886 |
| Supporting services: | | |
| Advertising | 170 | - |
| Utilities | 89,175 | 78,553 |
| Rental expense | 6,000 | 6,000 |
| Legal and accounting | 16,664 | 15,416 |
| Office expense | 12,355 | 17,031 |
| Supplies | 12,615 | 54,133 |
| Insurance | 51,229 | 40,273 |
| Employee benefits | 5,571 | 3,495 |
| Postage | 8,923 | 7,410 |
| Travel | 860 | 1,203 |
| Interest expense | 39,184 | 40,380 |
| Bad debt expense | 1,135 | 5,212 |
| Miscellaneous expenses | 1,958 | 11,232 |
| Total Expenses | <u>1,514,174</u> | <u>1,476,422</u> |
| DECREASE IN NET ASSETS | (157,850) | (206,516) |
| NET ASSETS - BEGINNING OF YEAR | <u>1,582,256</u> | <u>1,788,772</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,424,406</u> | <u>\$ 1,582,256</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, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 1,360,557 | \$ 1,250,173 |
| Cash payments to employees | (171,057) | (139,370) |
| Cash payments for goods and services | (1,102,474) | (1,078,388) |
| Net cash provided by operating activities | <u>87,026</u> | <u>32,415</u> |
| Cash flows from investing activities: | | |
| Increase in customers meter deposits payable | 5,976 | 1,885 |
| Purchase of capital assets | - | (39,314) |
| Net cash provided (used) by investing activities | <u>5,976</u> | <u>(37,429)</u> |
| Cash flows from capital and related financing activities: | | |
| Proceeds from long-term debt | - | 27,463 |
| Principal payments on line of credit | (4,993) | (5,635) |
| Principal payments on long-term debt | (47,458) | (42,810) |
| Increase (decrease) in restricted cash | (15,027) | 24,622 |
| Net cash provided (used) by capital and related financing activities | <u>(67,478)</u> | <u>3,640</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>25,524</u> | <u>(1,374)</u> |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>4,670</u> | <u>6,044</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 30,194</u> | <u>\$ 4,670</u> |
| RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Decrease in Net Assets | \$ (157,850) | \$ (206,516) |
| Adjustment to reconcile decrease in net assets to net cash provided by operating activities: | | |
| Depreciation | 125,845 | 138,886 |
| (Increase) Decrease In: | | |
| Other receivable | - | 9,525 |
| Inventory | - | 27,337 |
| Accounts receivable | 5,369 | (14,577) |
| Increase (Decrease) In: | | |
| Accounts payable | 121,550 | 70,119 |
| Sales tax payable | 68 | 6,768 |
| Other current liabilities | (7,862) | 790 |
| Accrued interest payable | (94) | 83 |
| Total adjustments | <u>244,876</u> | <u>238,931</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 87,026</u> | <u>\$ 32,415</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, 2024 and 2023

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 two classes of net assets: with donor restrictions and without donor restrictions.

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, 2024 and 2023

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, 2024 and 2023 totaled \$174,784 and \$159,757 respectively.

Leases

The Association calculates operating leases using the implicit interest rate, or their incremental borrowing rate if the lease rate is not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - LONG-TERM DEBT:

Long-term debt consists of the following:

| | 2024 | 2023 |
|--|--------------|--------------|
| 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) | \$ 278,508 | \$ 285,507 |
| 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) | 179,944 | 190,675 |
| 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) | 799,686 | 816,977 |
| 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) | 15,870 | 20,665 |
| Loan Payable to First Arkansas Bank & Trust, due in monthly installments of \$658. The loan is secured by deposit accounts. (4) | 15,632 | 23,274 |
| | 1,289,640 | 1,337,098 |
| Less Current Portion | (48,000) | (46,300) |
| Long Term Portion | \$ 1,241,640 | \$ 1,290,798 |

- (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 \$16,704 and a short-lived asset reserve to accumulate at \$1,028 per month for the life of the loan.
- (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 and a depreciation reserve to accumulate at \$3,143 per month for the life of the loan.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - LONG-TERM DEBT (continued):

(4) This loan has no restrictive covenants.

Maturities of long-term debt in the years subsequent to December 31, 2024 are approximately:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|------------------|---------------------|
| 2025 | \$ 48,000 | \$ 22,848 | \$ 70,848 |
| 2026 | 49,800 | 21,048 | 70,848 |
| 2027 | 44,903 | 25,945 | 70,848 |
| 2028 | 39,200 | 25,779 | 64,979 |
| 2029 | 40,200 | 14,808 | 55,008 |
| 2030-2034 | 219,200 | 135,040 | 354,240 |
| 2035-2039 | 229,944 | 102,587 | 332,531 |
| 2040-2044 | 201,800 | 73,240 | 275,040 |
| 2045-2049 | 232,400 | 42,640 | 275,040 |
| 2050-2054 | 184,193 | 11,029 | 195,222 |
| | <u>\$ 1,289,640</u> | <u>\$ 69,841</u> | <u>\$ 1,359,481</u> |

Long-term liability activity for the years ended December 31, 2024 and 2023 is as follows:

| | <u>Balance</u> | | <u>Balance</u> | <u>Due Within</u> |
|----------------|---------------------|------------------|---------------------|-------------------|
| | <u>12/31/2023</u> | <u>Additions</u> | <u>12/31/2024</u> | <u>One Year</u> |
| Long Term Debt | | | | |
| Loan | \$ <u>1,337,098</u> | \$ <u>-</u> | \$ <u>1,289,640</u> | \$ <u>48,000</u> |
| | | | | |
| | <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> |

The Association has pledged future water customer revenues, net of specified operating expenses, to repay \$1,289,640 in long-term debt. Proceeds from the 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 loans are payable through October 2054, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2024 were \$47,458 and \$38,271, respectively. Principal and interest paid in the year ended December 31, 2023 were \$42,810 and \$39,065, respectively.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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, 2024 and 2023 is as follows:

| | Balance 12/31/2023 | Additions | Deletions/ Transfers | Balance 12/31/2024 |
|--------------------------------|-----------------------|-------------|-------------------------|-----------------------|
| 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 | 123,243 | - | - | 123,243 |
| Land | 30,875 | - | - | 30,875 |
| Total | <u>5,922,413</u> | <u>\$ -</u> | <u>\$ -</u> | <u>5,922,413</u> |
| Less: Accumulated Depreciation | <u>(2,919,945)</u> | | | <u>(3,045,791)</u> |
| Total Capital Assets | <u>\$ 3,002,468</u> | | | <u>\$ 2,876,622</u> |

| | 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> |

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 \$39,061 at December 31, 2024.

BEE BRANCH WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| Financial assets at year end | \$ 316,940 | \$ 281,757 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor-restricted for long-term debt reserves | <u>174,784</u> | <u>159,757</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 142,156</u> | <u>\$ 122,000</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 AND CONTINGENCIES:

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, 2024 and 2023 was \$816,843 and \$771,593, respectively.

The Association incurred a theft loss in previous years from a former bookkeeper. On March 2021, the defendant in the theft proceeding pled guilty to the charge and was ordered to pay restitution to the Association in the amount of \$147,935, at a rate of \$750 per month. The defendant has paid \$58,600 of the amount due as of December 31, 2024. Due to the uncertainty of collection, the outstanding receivable balance has not been recorded, and any collection of the receivable is reported as current year earnings when received.

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 \$2,248 and \$2,134 for the years ended December 31, 2024 and 2023, respectively.

NOTE 9 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 4, 2025, which is the date the financial statements were available to be issued. As of June 4, 2025, Bee Branch Water is in negotiations with Clinton Water Department to merge their operations. Clinton Water Department is currently running the billing operations, collecting payments, and running water operations of the Association.

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, 2024, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated June 4, 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 2024-01, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

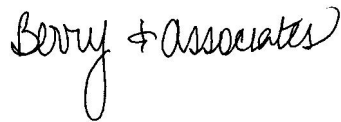
As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2024-02.

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
June 4, 2025

BEE BRANCH WATER ASSOCIATION, INC
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2024

2024-01 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. This condition was also noted in 2023.

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.

2024-02 Compliance – Reserve Requirements

Criteria: The Association was not in compliance with the loan covenants established by the United States Department of Agriculture – Rural Development as well as legislated replacement and refurbishment reserve requirements required by Arkansas Act 545/605.

Condition: Loan covenants with the United States Department of Agriculture - Rural Development require a debt service reserve and a short-lived asset replacement reserve. The loan covenants were underfunded in the respective reserve accounts at December 31, 2024 in the amount of \$521,885. Reserve requirements established by Act 545/605 by the State of Arkansas require five percent of gross annual revenues to be deposited into a dedicated replacement and refurbishment account. The replacement and refurbishment reserve account had not been set up or received transfers as of December 31, 2024. This condition was also noted in 2023.

Cause: The monthly deposits made to the short-lived asset replacement reserve and depreciation accounts are not adequate to comply with the loan covenant and Act 545/605.

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 and legislated requirements.

Recommendation: We recommend that the Association start making the required monthly transfers to the short-lived asset replacement and 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, 2024**

WATER RATE SCHEDULE:

| <u>Water Rates</u> | | <u>Per Thousand Gallons</u> |
|--------------------------------------|----|---------------------------------|
| Rate Schedule 1 - Residential | | |
| First 1,000 gallons (minimum charge) | \$ | 30.83 |
| All over 1,000 gallons | | 11.54 |
| Rate Schedule 2 - Commerical | | |
| First 4,000 gallons (minimum charge) | \$ | 88.00 |
| All over 4,000 gallons | | 11.54 |

At December 31, 2024 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 |