

**HOT SPRING COUNTY WATER ASSOCIATION**  
**FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	
Applying Agreed Upon Procedures	1
Compilation Report	4
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Notes to Financial Statements	8

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

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

To the Board of Directors  
Hot Springs County Water Association, Inc.

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

Hot Springs County Water Association, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of issuing a report on findings based on specific procedures performed on subject matter. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

**Cash and Investments**

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

***Findings: No findings identified.***

**Receipts**

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

***Findings: No findings identified.***

### Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

**Findings:** *No findings identified.*

### Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

**Findings:** *No findings identified.*

### Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

**Findings:** *No findings identified.*

### Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

**Findings:** *No findings identified.*

### General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

**Findings:** *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Seery & Associates LLC". The signature is written in a cursive, flowing style.

Monticello, Arkansas  
March 13, 2025

# SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
Hot Springs County Water Association, Inc.

Management is responsible for the accompanying financial statements of Hot Springs County Water Association, Inc., which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years 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.



Monticello, Arkansas  
March 13, 2025

**HOT SPRING COUNTY WATER ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2024 and 2023

	2024	2023
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 293,045	\$ 337,968
Accounts receivable (allowance for uncollectible accounts \$6,004 - 2024, \$6,004 - 2023)	88,717	76,814
Accrued interest receivable	843	843
Prepaid insurance	2,690	2,690
Inventory - materials and supplies	17,394	17,394
Total current assets	402,689	435,709
<u>Investments</u>	716,721	715,597
<u>Fixed assets, net of accumulated depreciation</u>	954,999	980,124
 Total assets	 \$ 2,074,409	 \$ 2,131,430
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 53,556	\$ 53,079
Accrued interest	464	464
Accrued payroll and sales tax payable	10,646	10,939
Current portion of notes payable	22,509	21,441
Total current liabilities	87,175	85,923
<u>Long term liabilities</u>		
Notes payable, net of current amount	535,210	557,721
Customer deposits	88,193	88,228
Total long term liabilities	623,403	645,949
Total liabilities	710,578	731,872
<u>Net assets</u>		
Net assets without donor restrictions		
Board designated	598,589	629,272
USDA debt reserve, subject to the passage of time	50,016	50,016
Undesignated	715,226	720,270
Total net assets	1,363,831	1,399,558
Total liabilities and net assets	\$ 2,074,409	\$ 2,131,430

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

**HOT SPRING COUNTY WATER ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Changes in net assets without donor restrictions</u>		
Support / Revenues		
Water services	\$ 833,967	\$ 772,907
Water connection fees	50,162	9,441
Penalties and late fees	18,411	17,361
Gain on sale of equipment	-	1,890
Interest income	21,116	10,119
Total support / revenues	923,656	811,718
Expenses		
Production and distribution expenses	752,540	633,390
General and administrative	206,843	190,658
Total expenses	959,383	824,048
Income (loss) from operations	(35,727)	(12,330)
Change in net assets without donor restrictions	(35,727)	(12,330)
Change in net assets with donor restrictions	-	-
<u>Change in net assets</u>	(35,727)	(12,330)
<u>Net assets, beginning of year</u>	1,399,558	1,411,888
<u>Net assets, end of year</u>	\$ 1,363,831	\$ 1,399,558

The accompanying notes are an integral part of the financial statements



**HOT SPRING COUNTY WATER ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities</u>		
Collections from customers	\$ 890,637	\$ 801,292
Interest received	21,116	9,714
Payments to suppliers	(549,043)	(418,935)
Payments for salaries and other expenses	(314,725)	(297,147)
Interest paid	<u>(27,757)</u>	<u>(28,776)</u>
Net cash provided by (used for) operating activities	20,228	66,148
<u>Cash flows from investing activities</u>		
Proceeds from sale of equipment	-	1,890
Certificate of deposit maturities and purchases	(1,124)	(55,337)
Purchase of property and equipment	<u>(42,549)</u>	<u>-</u>
Net cash provided by (used for) investing activities	(43,673)	(53,447)
<u>Cash flows from financing activities</u>		
Meter deposits liability	(35)	2,410
Principal paid on note payable	<u>(21,443)</u>	<u>(20,424)</u>
Net cash provided by (used for) financing activities	<u>(21,478)</u>	<u>(18,014)</u>
<u>Change in cash and cash equivalents</u>	(44,923)	(5,313)
<u>Cash and cash equivalents, beginning of year</u>	<u>337,968</u>	<u>343,281</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 293,045</u>	<u>\$ 337,968</u>
 <u>Cash and cash equivalents</u>	 \$ 1,303,335	 \$ 1,380,119
<u>Restricted cash and cash equivalents</u>	<u>(1,010,290)</u>	<u>(1,042,151)</u>
	<u>\$ 293,045</u>	<u>\$ 337,968</u>

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

**HOT SPRING COUNTY WATER ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2024 and 2023

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Operations

Hot Spring County Water Association is a non-profit organization providing a water system for rural areas of Hot Spring County, Clark County, and Dallas County, Arkansas, and as such, is exempt from federal income taxes under Sec. 501(c)(12) of the Internal Revenue Code.

Method of Accounting

The financial records of the association are maintained on a full-accrual basis. Revenue is recorded as rendered and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the association considers all highly liquid investments with a maturity of three months or less when purchased to cash equivalents.

Accounts Receivable

Accounts receivable include amounts due from sales to customers. The allowance for uncollectible accounts is calculated based on an estimate of the accounts receivable that will not be collected.

Inventory

The inventory of materials and supplies is valued at costs on a first-in, first-out method of valuation.

Investments

Investments consist of certificates of deposit at financial institutions and are stated at cost. All investments are classified as held-to-maturity.

Income Taxes

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2024 and 2023 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

Property and equipment are stated at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the property and equipment. The Organization capitalizes expenditures in excess of \$500 or more for property and equipment.

**HOT SPRING COUNTY WATER ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 1 (continued)**

Net Asset Classifications

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations). Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. In addition, the association is required to present a statement of cash flows.

The association also adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), "Accounting for Contributions Received and Contributions Made," in 1997.

**NOTE 2 – CAPITALIZED INTEREST**

The following is an analysis of interest costs capitalized during the construction of the water system for the year ended December 31:

1976	\$	7,212
1979		31,434
1983		422
1984		429
2001		4,535
2003		39,458
		<u>\$ 83,490</u>

**NOTE 3 – NOTE PAYABLE**

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

	<u>2024</u>	<u>2023</u>
Note payable to the USDA rural development:		
Original date September 25, 2001 (original balance \$848,800		
with 4.875% interest rate, interest only payments September 25,	\$ 557,719	\$ 579,162
2003 and September 25, 2004 and then monthly payments of		
\$4,100; maturity 40 years; secured by assignment of water		
system and equipment)		

**HOT SPRING COUNTY WATER ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 3 (continued)**

Approximate maturities on note payable are as follows:

2025	\$	22,509
2026		23,632
2027		24,810
2028		26,047
2029		27,345
Thereafter		<u>433,376</u>
	\$	<u><u>557,719</u></u>

**NOTE 4 – ACCRUED INTEREST PAYABLE**

This account consists of interest accrued on note payable to USDA, Rural Development as follows:

	<u>2024</u>	<u>2023</u>
Note payable to the USDA rural development:		
Original date September 25, 2001	\$ 464	\$ 464

**NOTE 5 – DEPRECIATION**

Depreciation is charged to operations using the straight-line method over estimated useful lives as follows:

<u>Estimated Lives in Years</u>	<u>2024</u>	<u>2023</u>
40	\$ 2,796,595	\$ 2,796,595
20	213,380	213,380
10	12,350	12,350
5	<u>263,341</u>	<u>243,118</u>
Total cost of depreciable assets	3,285,666	3,265,443
Land	<u>17,901</u>	<u>17,901</u>
	<u><u>\$ 3,303,567</u></u>	<u><u>\$ 3,283,344</u></u>

**HOT SPRING COUNTY WATER ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

**NOTE 6 – CASH FLOW INFORMATION**

Reconciliation of Net Cash Provided by Operating Activities:

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities</u>		
Change in unrestricted net assets	\$ (35,727)	\$ (12,330)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	67,674	68,060
Gain on sale of equipment	-	(1,890)
Changes in assets and liabilities:		
Accounts receivable	(11,903)	1,583
Accrued interest receivable	-	(405)
Inventory	-	141
Prepaid insurance	-	277
Accounts payable	477	9,932
Payroll and sales taxes payable	(293)	796
Accrued interest payable	-	(16)
Total adjustments	<u>55,955</u>	<u>78,478</u>
Net cash provided by (used for) operating activities	<u>\$ 20,228</u>	<u>\$ 66,148</u>

**NOTE 7 – RETIREMENT PLAN**

The association adopted a Savings Incentive Match Plan for Employees (SIMPLE) IRA January 1, 2001. Employees with \$5,000 or more of compensation during the year are eligible to participate. Each participant elects to defer a portion of their salary, up to a maximum of \$16,000 (\$19,500 if age 50 or older). The association matches the deferral up to 3% of salary. The cost to the association was \$5,148 for the year ended December 31, 2024 and \$5,118 for the year ended December 31, 2023.

**NOTE 8 – METER DEPOSIT FUND AND RESTRICTED CASH**

Meter deposits of the patrons must be accounted for separately from revenue and operation and maintenance funds. As of December 31, 2024, \$88,193 and December 31, 2023, \$88,228 has been deposited into a separate account and restricted for meter deposits.

The Association is also required by certain loan covenants to maintain a debt service reserve fund equal to at least one annual loan installment. The Association is required to contribute \$417 per month to the fund until a balance of \$50,016 is accumulated. The balance in the fund was \$166,915 and \$161,918 as of December 31, 2024 and 2023, respectively.

**HOT SPRING COUNTY WATER ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

December 31, 2024 and 2023

**NOTE 9 – FUNCTIONAL EXPENSES**

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

	2024	2023
Production and Distribution		
Salaries, wages, and benefits	\$ 117,475	\$ 116,860
Supplies	76,569	50,930
Utilities	9,275	10,786
Insurance	17,871	16,822
Depreciation	67,674	68,060
Moveable equipment expense	21,907	34,284
Repairs and maintenance	10,229	2,058
Bad debt expense	-	2,640
Water purchase	431,540	330,950
Total production and distribution	<u>\$ 752,540</u>	<u>\$ 633,390</u>
General and Administrative		
Salaries, wages, and benefits	\$ 108,439	\$ 108,439
Legal and accounting	26,385	17,223
Office expense	24,373	25,804
Interest expense	27,757	28,760
Public water system fees	17,442	7,823
Miscellaneous	2,447	2,609
Total general and administrative	<u>\$ 206,843</u>	<u>\$ 190,658</u>

**NOTE 10 – LIQUIDITY AND AVAILABILITY**

The following represents the Association's financial assets at December 31, 2024 and 2023.

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 293,045	\$ 337,968
Certificates of deposits	716,721	715,597
Accounts receivable	88,717	76,814
Total financial assets	1,098,483	1,130,379
Less amounts not available to used		
USDA reserves	(50,016)	(50,016)
Meter deposits	(88,193)	(88,228)
	(138,209)	(138,244)
Available for general expenditure	<u>\$ 960,274</u>	<u>\$ 992,135</u>

**HOT SPRING COUNTY WATER ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 11 – SUBSEQUENT EVENTS**

The Organization evaluated its December 31, 2024 financial statements for subsequent events through March 13, 2025, the date the financial statements were available to be issued.