

WIRE ROAD WATER ASSOCIATION, INC.
(A Nonprofit Organization)
Camden, Arkansas
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2024 and 2023
and
INDEPENDENT AUDITOR'S REPORT

WIRE ROAD WATER ASSOCIATION, INC.
(A Nonprofit Organization)
Camden, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2024 and 2023

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**To the Board of Directors of the
Wire Road Water Association, Inc.**

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Wire Road Water Association, Inc., (a nonprofit organization), which comprise the statements of financial position as of September 30, 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 September 30, 2024 and 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 Wire Road 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 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 Wire Road 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
Wire Road Water Association, Inc.**

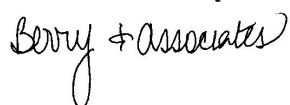
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Wire Road 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 Wire Road 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2024 on our consideration of the Wire Road Water Association, Inc.'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 Wire Road Water Association, Inc.'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 Wire Road Water Association, Inc.'s internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
December 3, 2024

WIRE ROAD WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 170,069	\$ 173,763
Accounts receivable	15,526	16,710
Inventory	6,104	6,104
Cash restricted for long-term debt reserves	120,476	119,873
Cash restricted to refunds of meter deposits	13,643	13,679
Capital assets, net of accumulated depreciation	415,054	434,446
TOTAL ASSETS	\$ 740,872	\$ 764,575

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 12,663	\$ 12,361
Sales tax payable	1,257	1,182
Accrued interest payable	208	335
Other current liabilities	248	484
Meter deposits payable	13,845	13,395
Current portion of long-term debt	12,100	11,300
Long-term debt, net of current maturities	6,322	18,423
TOTAL LIABILITIES	46,643	57,480
NET ASSETS		
Without donor restrictions	590,221	606,215
With donor restrictions	104,008	100,880
TOTAL NET ASSETS	694,229	707,095
TOTAL LIABILITIES AND NET ASSETS	\$ 740,872	\$ 764,575

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

WIRE ROAD WATER ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
UNRESTRICTED REVENUES AND GAINS		
Water program service fees	\$ 171,857	\$ 169,200
Investment return, net	<u>2,476</u>	<u>1,095</u>
Total revenues and gains without donor restrictions	<u>174,333</u>	<u>170,295</u>
EXPENSES		
Water program:		
Water purchases	80,267	67,939
Contract labor	15,250	27,249
Repairs & maintenance	21,325	6,256
Depreciation expense	19,392	22,397
Supporting services:		
Dues and subscriptions	2,887	1,833
Insurance	2,229	2,011
Supplies	19,760	9,034
Office expense	1,468	1,577
Professional fees	15,628	14,446
Utilities	3,842	3,523
Interest expense	1,691	2,425
Bad debt expense	928	612
Miscellaneous expense	<u>2,532</u>	<u>2,354</u>
Total Expenses	<u>187,199</u>	<u>161,656</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(12,866)</u>	<u>8,639</u>
INCREASE (DECREASE) IN NET ASSETS	(12,866)	8,639
NET ASSETS - AT BEGINNING OF YEAR	<u>707,095</u>	<u>698,456</u>
NET ASSETS - AT END OF YEAR	<u>\$ 694,229</u>	<u>\$ 707,095</u>

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

WIRE ROAD WATER ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from customers	\$ 175,517	\$ 168,856
Cash payments to supplies	(152,543)	(110,492)
Cash payments to contract laborers	(15,250)	(27,249)
Net cash provided by operating activities	<u>7,724</u>	<u>31,115</u>
Cash flows from investing activities:		
Increase (decrease) in meter deposits payable	450	(375)
Net cash provided (used) by investing activities	<u>450</u>	<u>(375)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(11,301)	(10,575)
Collections restricted for long-term purposes:		
Long-term debt reserves	(603)	-
Meter deposits applied	36	3,450
Net cash used by capital and related financing activities	<u>(11,868)</u>	<u>(7,125)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,694)	23,615
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>173,763</u>	<u>150,148</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 170,069</u></u>	<u><u>\$ 173,763</u></u>
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities:		
Increase (Decrease) in Net Assets	\$ (12,866)	\$ 8,639
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	19,392	22,397
(Increase) decrease in-		
Accounts receivable	1,184	(842)
Increase (decrease) in-		
Accounts payable	302	670
Sales tax payable	75	(114)
Other current liabilities	(236)	485
Accrued interest payable	(127)	(120)
Total Adjustments	<u>20,590</u>	<u>22,476</u>
Net cash provided by operating activities:	<u><u>\$ 7,724</u></u>	<u><u>\$ 31,115</u></u>

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

WIRE ROAD WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Wire Road Water Association, Inc., (the “Association”) 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.

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 Equivalents

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

Income Taxes

The Association is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements.

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

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 membership fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both net assets without donor restrictions and net assets with donor restrictions available, it is the Association’s policy to apply those expenses to net assets without donor restrictions to the extent such are available and then to net assets with donor restrictions.

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.

WIRE ROAD WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 the refund of meter deposits at September 30, 2024 and 2023 totaled \$13,643 and \$13,679 respectively. Restricted assets set aside for debt service reserves at September 30, 2024 and 2023 totaled \$120,476 and \$119,873 respectively.

Allowance for Bad Debt

The Association carries its accounts receivable at cost, less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts receivable balances and establishes an allowance for doubtful accounts based on history of past write offs, collections and current credit considerations.

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 nonoperating 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:

Buildings	10-40 years
Water system	5-50 years
Equipment	5-15 years

Inventories

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

Date of Management's Review

Subsequent events have been evaluated through December 3, 2024, which is the date the financial statements were available to be issued.

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.

Reclassification

Certain 2023 items may have been reclassified in order to conform with the 2024 financial statement presentation.

WIRE ROAD WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 2 - LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
Water and Sewer Revenue Bond, payable to Arkansas Natural Resources Commission, \$6,560 due semi-annually including interest at 6.75%, through December 2025 (1)	\$ <u>18,422</u>	\$ <u>29,723</u>
	18,422	29,723
Less Current Portion	<u>(12,100)</u>	<u>(11,300)</u>
Total Long-Term Portion	<u>\$ 6,322</u>	<u>\$ 18,423</u>

- (1) The revenue bond has restrictive covenants, including the requirement to accumulate a debt service reserve in the amount of \$13,291 and to begin accumulating a depreciation reserve in monthly installments of 50% of new customer revenue, until the reserve reaches \$200,000.

Maturities of long-term debt in the years subsequent to September 30, 2024 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 12,100	\$ 4,420	\$ 13,120
2026	6,322	238	6,560
	<u>\$ 18,422</u>	<u>\$ 4,658</u>	<u>\$ 19,680</u>

Long-term liability activity for the years ended September 30, 2024 and 2023 is as follows:

	<u>Balance</u> <u>9/30/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/24</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	\$ <u>29,723</u>	\$ <u>-</u>	\$ <u>(11,301)</u>	\$ <u>18,422</u>	\$ <u>12,100</u>

	<u>Balance</u> <u>9/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	\$ <u>40,298</u>	\$ <u>-</u>	\$ <u>(10,575)</u>	\$ <u>29,723</u>	\$ <u>11,300</u>

The Association has pledged future water customer revenues, net of specified operating expenses, to repay \$18,422 in long-term debt. Proceeds from the bonds were used for building of the Association's water systems. Principal and interest on the bonds are payable through December 2025, solely from the water customer net revenues. Principal and interest paid in the year ended September 30, 2024 were \$11,301 and \$1,819, respectively. Principal and interest paid in the year ended September 30, 2023 were \$10,575 and \$2,545, respectively.

WIRE ROAD WATER ASSOCIATION, INC., ARKANSAS
NOTES TO FINANCIAL STATEMENTS
September 30, 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. As of September 30, 2024, deposited funds were adequately insured.

NOTE 4 –CAPITAL ASSETS:

Capital asset activity for the years ended September 30, 2024 and 2023 was as follows:

	Balance at September 30, 2023	Additions	Deletions/ Transfers	Balance at September 30, 2024
Building	\$ 1,219	\$ -	\$ -	\$ 1,219
Office Equipment	3,486	-	-	3,486
Equipment	31,253	-	-	31,253
Wire Road Water System	687,695	-	-	687,695
Cedar Grove Water System	670,567	-	-	670,567
	1,394,220	-	-	1,394,220
Accumulated depreciation	(959,774)	(19,392)	-	(979,166)
Total capital assets, net of accumulated depreciation	\$ 434,446	\$ (19,392)	\$ -	\$ 415,054
	Balance at September 30, 2022	Additions	Deletions/ Transfers	Balance at September 30, 2023
Building	\$ 1,219	\$ -	\$ -	\$ 1,219
Office Equipment	3,486	-	-	3,486
Equipment	31,253	-	-	31,253
Wire Road Water System	687,695	-	-	687,695
Cedar Grove Water System	670,567	-	-	670,567
	1,394,220	-	-	1,394,220
Accumulated depreciation	(937,377)	(22,397)	-	(959,774)
Total capital assets, net of accumulated depreciation	\$ 456,843	\$ (22,397)	\$ -	\$ 434,446

WIRE ROAD WATER ASSOCIATION, INC., ARKANSAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 5 –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	\$ 319,714	\$ 324,025
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to refund of meter deposits	13,643	13,679
Donor-restricted for long-term debt reserves	<u>120,476</u>	<u>119,873</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u><u>185,595</u></u>	\$ <u><u>190,473</u></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.



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**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 of the
Wire Road Water Association, Inc.**

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 Wire Road Water Association, Inc. (the "Association") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2024.

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) to determine 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected in a timely basis. A *significant deficiency* is a deficiency, or a 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. However, material weaknesses may exist that have not been identified.

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 determination of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Wire Road Water Association, Inc.
Camden, Arkansas**

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Berry & Associates".

Berry & Associates, P.A.
Little Rock, Arkansas
December 3, 2024