CROWLEY'S RIDGE WATER ASSOCIATION, INC.

AUDIT REPORT

DECEMBER 31, 2022 and 2021

Meyer & Ward, P.A.
Certified Public Accountants
P.O. Box 1045
Wynne, AR 72396

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Meyer & Ward, P.A.
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Crowley's Ridge Water Association, Inc.
Harrisburg, AR 72432

Report on the Audit of the Financial Statements

Opinion

We audited the accompanying financial statements of Crowley's Ridge Water Association, Inc. (a non-profit corporation), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, and cash flows for the year 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 Crowley's Ridge Water Association, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year 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 State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibility 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 the Crowley's Ridge 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 the 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 Crowley's Ridge Water Association, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities 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 and Government 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements of the financial statements, whether due to fraud or error, and design and perform the audit procedures responsive to those risks. Such procedures include 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 of the effectiveness of the Crowley's Ridge 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 about the Entity'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 March 10, 2023 on our consideration of Crowley's Ridge 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 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 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 Crowley's Ridge Water Association, Inc. 's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396
March 10, 2023

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash in Banks	$ 434,944	$ 371,473
Accounts Receivable - Customers	52,833	47,973
Inventory	23,637	29,745
Total Current Assets	511,414	449,191
RESTRICTED ASSETS		
Cash - Debt Service	139,700	138,885
Cash - Meter Deposits	71,340	69,295
Cash - Depreciation Reserve	109,096	97,902
Total Restricted Assets	320,136	306,082
PROPERTY, PLANT AND EQUIPMENT		
Land	64,924	64,924
Utility Plant	4,332,247	4,317,524
Equipment	343,893	275,446
Leasehold Improvements	3,311	3,311
	4,744,375	4,661,205
Less: Accumulated Depreciation	(2,917,914)	(2,844,363)
Net Property, Plant and Equipment	1,826,461	1,816,842
TOTAL ASSETS	$ 2,658,011	$ 2,572,115

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Current Portion of Long-term Debt	$ 49,779	$ 47,529
Accounts Payable	19,122	32,386
Accrued Expenses	2,496	2,584
Accrued Payroll Liability		-
Customer Meter Deposits	66,507	64,462
Total Current Liabilities	137,904	146,961
LONG-TERM DEBT, less current portion	1,236,310	1,286,098
NET ASSETS		
Without donor restrictions	1,237,065	1,092,324
Member Investments	46,732	46,732
Total Net Assets	1,283,797	1,139,056
TOTAL LIABILITIES AND NET ASSETS	$ 2,658,011	$ 2,572,115

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
OPERATING REVENUE				
Water fees	$ 760,625	$ -	$ 760,625	$ 666,128
Late charges	12,833		12,833	11,405
Customer installation	40,806		40,806	32,026
Total Operating Revenues	814,264	-	814,264	709,559
PLANT OPERATING EXPENSE				
Power for pumping	63,472		63,472	61,250
Chemical	6,057		6,057	4,603
Parts and supplies	84,471		84,471	79,451
Total Plant Operating Expense	154,000	-	154,000	145,304
GENERAL EXPENSE				
Salaries and wages	202,853		202,853	193,922
Bad debts	1,172		1,172	1,295
Supplies	14,039		14,039	13,637
Professional fees	4,282		4,282	3,991
Health insurance	40,355		40,355	39,081
Insurance	36,924		36,924	36,564
Miscellaneous	21,045		21,045	19,259
Rent and utilities	5,730		5,730	5,434
Telephone	5,296		5,296	4,671
Taxes and licenses	20,831		20,831	17,727
Depreciation	144,010		144,010	134,799
Total General Expenses	496,537	-	496,537	470,380
Income from Operations	163,727	-	163,727	93,875
OTHER INCOME AND (EXPENSES)				
Interest expense	(60,434)		(60,434)	(62,586)
Interest income	2,790		2,790	1,307
PPP Forgiveness	-			35,000
Gain on Sale of fixed asset	38,658		38,658	
Other Misc Income			-	3,018
Net Other Income (Expense)	(18,986)	-	(18,986)	(23,261)
Increase (decrease) in Net Assets	144,741	-	144,741	70,614
Net Assets- Beginning of year	1,139,056		1,139,056	1,068,442
Net Assets - End of year	$ 1,283,797	$ -	$ 1,283,797	$ 1,139,056

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from customers	$ 811,449	$ 703,051
Interest received	2,790	1,307
Interest paid	(60,522)	(62,670)
Other/Misc Income	-	3,018
Cash paid to employees	(202,853)	(193,922)
Cash paid to suppliers and others	(310,830)	(277,440)
NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES	240,034	173,344
Cash flows from investing activities		
Proceeds from sale of equipment	54,617	-
Purchase of equipment	(169,587)	(70,357)
Transferred to restricted cash accounts	(14,055)	(14,290)
NET CASH PROVIDED BY (USED) BY INVESTING ACTIVITIES	(129,025)	(84,647)
Cash flows from financing activities		
PPP Loan		35,000
Principal paid on long-term debt	(47,538)	(45,390)
NET CASH PROVIDED BY (USED) BY FINANCING ACTIVITIES	(47,538)	(10,390)
Net Increase (Decrease) in cash and cash equivalents	63,471	78,307
Cash & equivalents - beginning of year	371,473	293,166
Cash & equivalents -end of year	$ 434,944	$ 371,473
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ 144,741	$ 70,614
PPP Loan Forgiveness	-	(35,000)
Gain on Sale of Assets	(38,658)	
Depreciation and amortization	144,010	134,799
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(4,860)	(12,511)
(Increase) decrease in inventory	6,108	(7,674)
Increase (decrease) in accounts payable	(13,264)	17,209
Increase (decrease) in accrued expenses	(88)	(96)
Increase (decrease) in customer deposits	2,045	6,003
Net cash provided (used) by operating activities	$ 240,034	$ 173,344

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of the Association have been presented on the accrual basis of accounting.

Organization – The Association was issued a Certificate of Incorporation as a domestic non-profit corporation by the Secretary of the State of Arkansas on March 5, 1973, as a 501(c)12. The Association maintains and provides its members in the Poinsett County, Arkansas rural community with a private water system. The Association is authorized to issue membership certificates whereby each member is entitled to one vote on the affairs of the Association. As of December 31, 1980, the Association issued formal membership certificates at $1.00 per water user account.

Property, Plant and Equipment – Property, plant and equipment are capitalized and recorded at cost. Expenditures for major renewals and betterments are capitalized while minor replacements, maintenance, and repairs which do not improve or extend the life of such assets, are charged to operations as incurred. Depreciation is computed using the straight-line method based on the estimated useful life of forty to fifty years for the water system and five to twenty five years for other equipment.

Cash Equivalents – For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with a maturity of six months or less to be cash equivalents.

Accounts Receivable – Accounts Receivable result from water sales to local customers / members.

Allowance for Doubtful Accounts – Accounts receivable are presented net of an allowance for doubtful accounts of $ 535 at December 31, 2022, and $ 535 as of December 31, 2021. Management estimates the allowance for doubtful accounts based on a review of billing records near year-end.

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

Sales Tax – Water sales are subject to Arkansas Sales Tax. Revenues are presented net of Sales Taxes.

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCE STATEMENTS – (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

NOTE B - CASH

Cash at December 31, 2022 and 2021 consists of the following:

	2022	2021
Unrestricted		
Revenue Accounts		
Checking	$ 433,114	$ 369,802
Operating and Maintenance Accounts		
Cash on hand	1,830	1,671
Total Unrestricted	$ 434,944	$ 371,473
Restricted		
Debt Service Reserves:		
Certificate of Deposit	$ 116,644	$ 115,869
Checking - Debt Service	23,056	23,016
Total Debt Service	139,700	138,885
Depreciation Reserve:		
Checking	109,096	97,902
Meter Deposits:		
Checking	71,340	69,295
Total Restricted	$ 320,136	$ 306,082

The Association is required by U.S.D.A loan agreement to maintain a balance of $ 108,060 at December 31, 2022 and $ 108,060 at December 31, 2021. The Association complied with this requirement.

NOTE C - INVENTORY

Inventory is stated at the lower of cost or realizable value. Inventory consists of various meters, pipe and supplies.

NOTE D – LONG-TERM DEBT

Long-term debt consists of insured promissory notes payable to the Farmers Home Administration of the United States Department of Agriculture. These promissory notes are collateralized by a first mortgage on the Association's utility plant and other property and an assignment of the annual net revenues of the facility. Details of the notes payable are as follows:

	2022	2021
4.75% interest bearing note of $ 250,000 payable in monthly installments of $ 1,175 through December 2037	$ 151,261	$ 158,002
4.5% interest bearing note of $ 1,000,000, principal and interest payable in monthly installments of $ 4,540 through July 2042	706,446	728,594
4.75% interest bearing note of $ 950,000 payable in monthly installments of $ 3,290, through April 2038	428,382	447,031
Totals	$ 1,286,089	$ 1,333,627
Less : Current Portion	(49,779)	(47,529)
	$ 1,236,310	$ 1,286,098

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCE STATEMENTS – (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

NOTE D – LONG-TERM DEBT (cont'd)

Future payment obligations are as follows:
For Years ended December 31,

	Principal	Interest	Total
2023	49,779	58,281	$ 108,060
2024	51,974	56,086	108,060
2025	54,595	53,465	108,060
2026	57,180	50,880	108,060
2027	59,887	48,173	108,060
2028-2032	344,490	195,810	540,300
2033-2037	434,343	105,957	540,300
2038-2042	233,841	23,856	257,697
2043-2047			-
	$ 1,286,089	$ 592,508	$ 1,878,597

NOTE E – INCOME TAXES

The Association is a tax-exempt organization under the provisions of Section 501(C) (12) of the Internal Revenue Code.

NOTE F- NET ASSETS

Crowley's Ridge Water Association, Inc. prepares its financial statements using the following classes of net assets.

Without donor restrictions – Used to account for all resources over which the governing board has discretionary control.

With donor restrictions – Those funds received by the Association which are restricted for specific use.

NOTE G- COMPLIANCE

The Association is in compliance with all loan requirements including but not limited to: maintenance of required reserve account, appropriate insurance and bonding coverage, deposit funds are in institutions insured by the Federal government and funds are adequately collateralized, the financial reports in the audit are in agreement with the accounting records of the association, there were no material or unusual adjustments, the association has adequate physical control over assets, and the accounting records are adequate for recording the activities of the Association.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. No events were noted which would require disclosure.

NOTE I – CONCENTRATION OF CREDIT RISK

SALES – Sales are made to customers in the local area.

Cash – Deposits are maintained in local banks. At year end deposits were fully covered by FDIC insurance coverage and securities pledged.

NOTE J – INCOME TAXES

Accounting Standards Codification (ASC) Topic 740, Income Taxes, requires an entity to recognize a liability for taxes to the extent of any unrelated business income as defined by IRS regulations. The Organization believes that it has not engaged in any unrelated business income activities as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such there were no liabilities recorded for uncertain tax positions as of December 31, 2022.

The Organization is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in process. The Organization's Federal Exempt Organization's Business Income Tax Return for the years ended December 31, 2022, 2021, and 2020 are subject to examination by the IRS.

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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
Crowley's Ridge Water Association, Inc.
Harrisburg, AR, 72432

We have audited, in accordance with the 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 Crowley's Ridge Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as December 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Crowley's Ridge Water Association, Inc.'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 opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Crowley's Ridge Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Crowley's Ridge Water Association, Inc.'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 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 internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (# 22-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crowley's Ridge Water Association, Inc.'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 that is required to be reported under *Government Auditing Standards*.

Response to Findings

The Crowley's Ridge Water Association, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Crowley's Ridge Water Association, Inc.'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396
March 10, 2022

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS
December 31, 2022

FINDINGS

Significant Deficiencies:

22-1:

CONDITION: Crowley's Ridge Water Association, Inc. does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

CRITERIA: Segregation of duties provides for independent review and approval of all transactions at various stages of the transaction process. Adequate segregation of duties is an essential part of effective internal control structure.

EFFECT: Inadequate segregation of duties reduces the entity's internal control over financial reporting, processing of transactions, and safeguarding of assets.

RECOMMENDATION: The board of directors should review all transactions, journal entries, monthly financial statements, accounting records, and reconciliations, in order to compensate for the limited number of employees. Such review should be performed at least monthly and documented.

RESPONSE: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, all employees are supervised by management, and financial records reviewed by the board of directors.