

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
DECEMBER 31, 2023 and 2022

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

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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, 2023 and 2022, and the related statements of activities, functional expenses, 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, 2023, and 2022, 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 audits 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 5, 2024 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 5, 2024

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash in Banks	\$ 517,412	\$ 434,944
Accounts Receivable - Customers	61,197	52,833
Inventory	48,327	23,637
Total Current Assets	<u>626,936</u>	<u>511,414</u>
RESTRICTED ASSETS		
Cash - Debt Service	143,434	139,700
Cash - Meter Deposits	73,950	71,340
Cash - Depreciation Reserve	161,204	109,096
Total Restricted Assets	<u>378,588</u>	<u>320,136</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	64,924	64,924
Utility Plant	4,364,297	4,332,247
Equipment	438,508	343,893
Leasehold Improvements	3,311	3,311
	<u>4,871,040</u>	<u>4,744,375</u>
Less: Accumulated Depreciation	(3,067,907)	(2,917,914)
Net Property, Plant and Equipment	<u>1,803,133</u>	<u>1,826,461</u>
TOTAL ASSETS	<u><u>\$ 2,808,657</u></u>	<u><u>\$ 2,658,011</u></u>

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Current Portion of Long-term Debt	\$ 51,984	\$ 49,779
Accounts Payable	16,308	19,122
Accrued Expenses	2,405	2,496
Customer Meter Deposits	69,114	66,507
Total Current Liabilities	<u>139,811</u>	<u>137,904</u>
 LONG-TERM DEBT, less current portion	 <u>1,184,316</u>	 <u>1,236,310</u>
 NET ASSETS		
Without donor restrictions	1,437,798	1,237,065
Member Investments	46,732	46,732
Total Net Assets	<u>1,484,530</u>	<u>1,283,797</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,808,657</u></u>	 <u><u>\$ 2,658,011</u></u>

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, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues				
Water Services	\$ 898,690		\$ 898,690	\$ 814,264
Total Revenues	<u>898,690</u>	<u>-</u>	<u>898,690</u>	<u>814,264</u>
Expenses				
Operating expenses	541,719		541,719	496,537
General and administrative	108,082		108,082	154,000
Total expenses	<u>649,801</u>	<u>-</u>	<u>649,801</u>	<u>650,537</u>
Income (loss) from operations	248,889		248,889	163,727
Non-operating income (expenses)				
Interest income	10,024		10,024	2,790
Interest expense	(58,180)		(58,180)	(60,434)
Gain on sale of fixed asset	-		-	38,658
Total non-operating income (expenses)	<u>(48,156)</u>	<u>-</u>	<u>(48,156)</u>	<u>(18,986)</u>
Change in net assets	200,733		200,733	144,741
Net assets, beginning of year	<u>1,283,797</u>	<u>-</u>	<u>1,283,797</u>	<u>1,139,056</u>
Net assets, end of year	<u>\$ 1,484,530</u>	<u>-</u>	<u>\$ 1,484,530</u>	<u>\$ 1,283,797</u>

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

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	Program (Water) Services	Management & General	2023 Total	2022 Total
Fuel and Power for Pumping	\$ 55,342	\$ -	\$ 55,342	\$ 63,472
Chemicals, parts and supplies	23,902		23,902	56,744
Repairs and maintenance	42,087		42,087	33,781
Depreciation	147,511	2,475	149,986	144,010
Professional services	-	3,550	3,550	3,250
Utilities	3,737	1,245	4,982	5,730
Telephone	4,337	1,446	5,783	5,296
Insurance	28,801	9,600	38,401	36,924
Other expenses	18,830	6,277	25,107	22,220
Office supplies	4,162	12,485	16,647	14,039
Salaries, wages, and benefits	192,552	64,184	256,736	243,208
Dues, subscriptions, licenses	3,476	1,159	4,635	1,907
Payroll taxes	16,982	5,661	22,643	19,956
Total expenses	<u>\$ 541,719</u>	<u>\$ 108,082</u>	<u>\$ 649,801</u>	<u>\$ 650,537</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from customers	\$ 892,933	\$ 811,449
Interest received	10,024	2,790
Interest paid	(58,271)	(60,522)
Cash paid to employees	(214,846)	(202,853)
Cash paid to suppliers and others	(312,473)	(310,830)
NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES	<u>317,367</u>	<u>240,034</u>
Cash flows from investing activities		
Proceeds from sale of equipment	-	54,617
Purchase of equipment	(126,658)	(169,587)
Transferred to restricted cash accounts	(58,452)	(14,055)
NET CASH PROVIDED BY (USED) BY INVESTING ACTIVITIES	<u>(185,110)</u>	<u>(129,025)</u>
Cash flows from financing activities		
Principal paid on long-term debt	(49,789)	(47,538)
NET CASH PROVIDED BY (USED) BY FINANCING ACTIVITIES	<u>(49,789)</u>	<u>(47,538)</u>
Net Increase (Decrease) in cash and cash equivalents	82,468	63,471
Cash & equivalents - beginning of year	434,944	371,473
Cash & equivalents -end of year	<u>\$ 517,412</u>	<u>\$ 434,944</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 200,733	\$ 144,741
Gain on Sale of Assets	-	(38,658)
Depreciation and amortization	149,986	144,010
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(8,364)	(4,860)
(Increase) decrease in inventory	(24,690)	6,108
Increase (decrease) in accounts payable	(2,814)	(13,264)
Increase (decrease) in accrued expenses	(91)	(88)
Increase (decrease) in customer deposits	2,607	2,045
Net cash provided (used) by operating activities	<u>\$ 317,367</u>	<u>\$ 240,034</u>

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, 2023 and 2022

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, 2023, and \$ 535 as of December 31, 2022. 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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

NOTE B - CASH

Cash at December 31, 2023 and 2022 consists of the following:

Unrestricted	<u>2023</u>	<u>2022</u>
Revenue Accounts		
Checking	\$ 515,722	\$ 433,114
Operating and Maintenance Accounts		
Cash on hand	1,690	1,830
Total Unrestricted	<u>\$ 517,412</u>	<u>\$ 434,944</u>
Restricted		
Debt Service Reserves:		
Certificate of Deposit	\$ 120,149	\$ 116,644
Checking - Debt Service	23,285	23,056
Total Debt Service	<u>143,434</u>	<u>139,700</u>
Depreciation Reserve:		
Checking	<u>161,204</u>	<u>109,096</u>
Meter Deposits:		
Checking	73,950	71,340
Total Restricted	<u>\$ 378,588</u>	<u>\$ 320,136</u>

The Association is required by U.S.D.A loan agreement to maintain a balance of \$ 108,060 at December 31, 2023 and \$ 108,060 at December 31, 2022. 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.

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
4.75% interest bearing note of \$ 250,000 payable in monthly installments of \$ 1,175 through December 2037	\$ 144,193	\$ 151,261
4.5% interest bearing note of \$ 1,000,000, principal and interest payable in monthly installments of \$ 4,540 through July 2042	683,280	706,446
4.75% interest bearing note of \$ 950,000 payable in monthly installments of \$ 3,290, through April 2038	408,827	428,382
Totals	<u>\$ 1,236,300</u>	<u>\$ 1,286,089</u>
(Less) Current Portion	<u>(51,984)</u>	<u>(49,779)</u>
	<u><u>\$ 1,184,316</u></u>	<u><u>\$ 1,236,310</u></u>

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

NOTE D – LONG-TERM DEBT (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 51,984	\$ 56,076	\$ 108,060
2025	54,606	53,454	108,060
2026	57,191	50,869	108,060
2027	59,898	48,162	108,060
2028	62,603	45,457	108,060
2029-2033	361,001	179,299	540,300
2034-2038	412,484	86,021	498,505
2039-2043	176,533	14,646	191,179
	<u>\$ 1,236,300</u>	<u>\$ 533,984</u>	<u>\$ 1,770,284</u>

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.

CROWLEY’S RIDGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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 exceeded FDIC insurance coverage and securities pledged by \$ 31,525.

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, 2023.

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, 2023, 2022, and 2021 are subject to examination by the IRS.

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

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, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2024.

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 (# 23-1).

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 are 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 5, 2024

CROWLEY'S RIDGE WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS
December 31, 2023

FINDINGS

Significant Deficiencies:

23-1:

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 a 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.