MOUNT OLIVE WATER ASSOCIATION

AUDITED FINANCIAL STATEMENTS

FEBRUARY 28, 2023
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2022)

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MOUNT OLIVE WATER ASSOCIATION

FEBRUARY 28, 2023
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2022)

Contents

Independent Auditor's Report

To the Board of Directors
Mount Olive Water Association
Elkins, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Mount Olive Water Association, (a nonprofit organization), which comprise the statement of financial position as of February 28, 2023, 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 Mount Olive Water Association as of February 28, 2023, 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 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 Mount Olive Water Association 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 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.

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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 Mount Olive Water Association'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 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 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 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 on the effectiveness of Mount Olive Water Association'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Olive Water Association'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.

Report on Summarized Comparative Information

We have previously audited Mount Olive Water Association's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2023, on our consideration of Mount Olive Water Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mount Olive Water Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Olive Water Association's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
August 18, 2023

FINANCIAL STATEMENTS

MOUNT OLIVE WATER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF FEBRUARY 28,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 803,328	$ 757,251
Restricted cash and cash equivalents	293,906	213,075
Accounts receivable	159,341	161,436
Grants receivable	250,271	-
Inventory	130,620	172,786
Prepaid expenses	12,451	11,439
Total Current Assets	1,649,917	1,315,987
Noncurrent Assets		
Certificates of deposit	331,821	469,945
Restricted certificates of deposit	413,528	272,082
Property, plant and equipment, net	9,883,766	4,684,005
Total Noncurrent Assets	10,629,115	5,426,032
Total Assets	$ 12,279,032	$ 6,742,019
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 330,296	$ 103,837
Sales tax payable	11,295	11,189
Accrued wages	10,610	9,514
Accrued payroll taxes and benefits	6,099	15,349
Accrued interest	16,862	5,271
Meter deposits payable	260,394	254,336
Current maturity of long-term debt	139,036	139,036
Total Current Liabilities	774,592	538,532
Long-Term Debt	3,516,676	1,522,061
Total Liabilities	4,291,268	2,060,593
Net Assets		
Without donor restrictions	7,915,264	4,681,426
With donor restrictions	72,500	-
Total Net Assets	7,987,764	4,681,426
Total Liabilities and Net Assets	$ 12,279,032	$ 6,742,019

See accompanying notes to financial statements.

MOUNT OLIVE WATER ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2023, WITH COMPARATIVE TOTALS FOR 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues and Other Support				
Water revenues	$ 1,966,020	$ -	$ 1,966,020	$ 1,774,173
Late charges	28,900	-	28,900	23,139
Grant proceeds	2,332,627	100,000	2,432,627	-
Contributions of nonfinancial assets	946,317	-	946,317	-
Interest income	7,373	-	7,373	3,936
Gain on sale of equipment	12,000	-	12,000	-
Other services and income	10,995	-	10,995	23,789
Net assets released from restrictions	27,500	(27,500)	-	-
Total Revenues and Other Support	5,331,732	72,500	5,404,232	1,825,037
Expenses				
Program service	1,859,285	-	1,859,285	1,533,043
Management and general	238,609	-	238,609	257,287
Total Expenses	2,097,894	-	2,097,894	1,790,330
Change In Net Assets	3,233,838	72,500	3,306,338	34,707
Net Assets, Beginning of the Year	4,681,426	-	4,681,426	4,646,719
Net Assets, End of the Year	$ 7,915,264	$ 72,500	$ 7,987,764	$ 4,681,426

See accompanying notes to financial statements.

MOUNT OLIVE WATER ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED FEBRUARY 28, 2023, WITH COMPARATIVE TOTALS FOR 2022

	Program Services	Management and General	2023 Total	2022 Total
Expenses				
Water purchases	$ 668,194	$ -	$ 668,194	$ 546,981
Salaries and wages	200,601	122,172	322,773	281,609
Employee benefits	54,739	33,338	88,077	82,696
Retirement	16,256	9,900	26,156	24,381
Payroll taxes	13,467	8,202	21,669	24,983
Operating supplies	124,435	-	124,435	88,394
Repairs and maintenance	142,398	-	142,398	86,664
Utilities	85,112	7,510	92,622	82,012
Telephone	15,009	9,141	24,150	24,686
Transportation	46,348	-	46,348	35,749
Insurance	31,752	3,181	34,933	29,951
Licenses, dues, and subscriptions	12,243	2,536	14,779	12,527
Uniforms	1,774	-	1,774	1,232
Meals	-	6,174	6,174	5,182
Professional services	40,795	13,576	54,371	20,500
Office expense	17,952	8,236	26,188	28,031
Miscellaneous	-	462	462	338
Depreciation	304,532	8,491	313,023	330,433
Interest and fees	83,678	5,690	89,368	83,981
Total Expenses	$ 1,859,285	$ 238,609	$ 2,097,894	$ 1,790,330

See accompanying notes to financial statements.

MOUNT OLIVE WATER ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDING FEBRUARY 28,	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 3,306,338	$ 34,707
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	313,023	330,433
Gain on disposition of assets	(12,000)	-
Noncash property, plant and equipment additions	(946,317)	-
(Increase)/decrease in:		
Accounts receivable	2,095	9,509
Grants receivable	(250,271)	-
Inventory	42,166	(33,871)
Prepaid expenses	(1,012)	(3,115)
Increase/(decrease) in:		
Accounts payable	226,459	38,962
Sales tax payable	106	142
Accrued wages	1,096	2,787
Accrued payroll taxes and benefits	(9,250)	83
Accrued interest	11,591	(426)
Meter deposits payable	6,058	15,110
Net Cash Provided By Operating Activities	2,690,082	394,321
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(4,566,467)	(64,599)
Cash received for sale of asset	12,000	-
Reinvestment of certificate of deposit earnings	(3,322)	(2,426)
Net Cash Used In Investing Activities	(4,557,789)	(67,025)
Cash Flows From Financing Activities		
Proceeds received from issuance of debt	2,134,000	-
Principal paid on debt	(139,385)	(132,736)
Net Cash Provided (Used) In Financing Activities	1,994,615	(132,736)
Net Increase In Cash, Cash Equivalents and Restricted Cash	126,908	194,560
Cash, Cash Equivalents and Restricted Cash - beginning of year	970,326	775,766
Cash, Cash Equivalents and Restricted Cash - end of year	$ 1,097,234	$ 970,326
Reconciliation to the Statement of Financial Position		
Cash and cash equivalents	$ 803,328	$ 757,251
Restricted cash and cash equivalents	293,906	213,075
Total Cash, Cash Equivalents and Restricted Cash	$ 1,097,234	$ 970,326
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 76,139	$ 82,789
Supplemental Schedule of Noncash Investing Activities		
Total property, plant and equipment additions	$ 5,512,784	$ 64,599
Less: paid directly by State and County	(946,317)	-
Cash paid for property, plant and equipment	$ 4,566,467	$ 64,599

See accompanying notes to financial statements.

MOUNT OLIVE WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023 AND 2022

Nature Of Operations

Mount Olive Water Association (the Association) was created under the provisions of ACT 114, Arkansas Acts of 1957, in order to establish a non-profit rural water distribution association in Washington County, Arkansas. Revenues of the Association consist primarily of water sales and fees for miscellaneous services. The Association also periodically receives grant funding for capital and other projects.

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

Comparative and Summarized Financial Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended February 28, 2022, from which the summarized totals were derived.

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Association.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Association has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Association's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable. The Association's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Financial Position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. The Association does not charge interest on overdue accounts but does charge a late fee of 10% for late payments. Invoices are sent at the beginning of the month and are due on the 15th. Late notices are sent on all unpaid balances and water service is discontinued if the balance is not paid by the 25th of the subsequent month. The allowance for credit losses is estimated based on professional judgement and historical information and was $29,097 and $13,612 on February 28, 2023 and 2022, respectively.

Grants Receivable

Grants receivable consists of grant and contract reimbursements from federal agencies and will be collected within one year. It is management's assertion that these receivables are fully collectible; therefore, no allowance has been provided.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Inventory

Inventory consists of parts and supplies for maintenance of the water system and is valued at the lower of cost using the first-in, first-out method, or net realizable value.

MOUNT OLIVE WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

The Association records purchases of property and equipment at original cost. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method with estimated useful lives as follows:

Office building	7-40 years
Office furniture and equipment	3-10 years
Transportation equipment	5-7 years
Equipment	3-15 years
Telemetry system	3-7 years
Lines and storage	10-50 years

Depreciation expense for the years ended February 28, 2023 and 2022, was $313,023 and $330,433, respectively.

It is the Association's policy to capitalize all asset purchases that have an estimated useful life greater than three years.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Association no longer serves the customer. The Association uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Association. Vacation must be used by the employees year-end anniversary date or it is lost. Employees can carryforward a maximum of twenty unused sick days from year to year. Upon termination from the Association, employees are paid their accumulated unused sick and vacation. The Association had $8,817 and $8,724 accrued for compensated absences at February 28, 2023 and 2022, respectively.

Revenue Recognition

Program revenue is recognized when services are provided; generally this occurs when water is delivered or the service has been completed. Revenue is measured as the amount of consideration the Association is expect to receive in exchange for providing services.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Conditional contributions and grants are those that contain a barrier that must be overcome before the Association is entitled to the assets transferred and a right of return of assets transferred or a right of release of the donors obligation to transfer assets exists. Conditional contribution and grant revenue is recognized when all barriers have been overcome. All other contributions and grants are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets and services are reflected in the financial statements at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributed services are recorded in the financial statements to the extent that (a) those services create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Association does not sell any of its donated nonfinancial assets and only uses the goods and services for its own programs.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services. Expenses were allocated using a variety of methods including estimates of time spent and usage.

1. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Issued Accounting Standards

The following pronouncements became effective during the Association's fiscal year:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* , to increase transparency and comparability among organizations by recognizing "right of use" lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. Implementation of this standard did not have any impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* . This ASU increases the transparency of contributed non-financial assets through enhancements to presentation and disclosure. The Association adopted this ASU during the year and added the appropriate financial statement disclosures.

2. Federal Income Tax

The Association's activities are generally exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code and a similar section of Arkansas statutes. Accordingly, no provision or liability for federal or state, current or deferred income taxes has been included in the accompanying financial statements. Management is not aware of any transactions that would impact the Association's tax exempt status.

The Association follows the guidance of the Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes,* related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the year ended February 28, 2023, management of the Association is not aware of any material uncertain tax positions.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statues. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

3. Deposits With Financial Institutions

The Association maintains its operating bank accounts in several local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to $250,000. In addition, some deposits are collateralized by the bank through the pledging of securities. The Association's cash balances may, at times, exceed these insured limits. At February 28, 2023, all of the Association's deposits were insured and/or collateralized. At February 28, 2022, the Association had uninsured deposits of $31,650. The Association does not believe that there is any significant risk associated with the concentrations of credit nor has the Association experienced any losses in such accounts.

4. Restricted Accounts

Restricted cash and cash equivalents and certificates of deposit are restricted for paying the principal and interest on the loans, a short-lived asset reserve, a construction project account, and the refunds of customer deposits. At February 28, 2023 and 2022, restricted cash and cash equivalents consisted of the following:

As of February 28,		2023		2022
Customer meter deposit fund	$	160,180	$	151,873
Pettigrew project funds		72,500		-
USDA Rural Development loan #12 debt service reserve		61,226		61,202
Total	$	293,906	$	213,075

At February 28, 2023 and 2022, restricted certificates of deposit consisted of the following:

As of February 28,		2023		2022
Customer meter deposits	$	99,244	$	75,000
Short-lived asset reserve		84,402		-
USDA Rural Development loan #5 debt service reserve		34,011		34,011
USDA Rural Development loan #7 debt service reserve		44,071		43,961
USDA Rural Development loan #9 debt service reserve		56,388		56,388
USDA Rural Development loan #11 debt service reserve		14,088		14,088
USDA Rural Development loan #13 debt service reserve		68,568		48,634
USDA Rural Development loan #15 debt service reserve		12,756		-
Total	$	413,528	$	272,082

MOUNT OLIVE WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023 AND 2022

5. Property, Plant, and Equipment

Activity of property, plant and equipment consists of the following:

As Of	March 1, 2022	Additions/ Transfers	Retirements/ Transfers	February 28, 2023
Land	$ 50,898	$ -	$ -	$ 50,898
Office building	259,266	-	-	259,266
Office furniture and equipment	17,684	-	-	17,684
Transportation equipment	192,999	40,400	32,000	201,399
Equipment	954,263	-	-	954,263
Telemetry system	57,724	-	-	57,724
Lines and storage	10,917,064	17,246	-	10,934,310
Construction in progress	56,591	5,463,194	8,056	5,511,729
Total	12,506,489	5,520,840	40,056	17,987,273
Less: Accumulated depreciation	7,822,484	313,023	32,000	8,103,507
Property, Plant and Equipment, net	$ 4,684,005	$ 5,207,817	$ 8,056	$ 9,883,766

As Of	March 1, 2021	Additions/ Transfers	Retirements/ Transfers	February 28, 2022
Land	$ 50,898	$ -	$ -	$ 50,898
Office building	259,266	-	-	259,266
Office furniture and equipment	17,684	-	-	17,684
Transportation equipment	192,999	-	-	192,999
Equipment	954,263	-	-	954,263
Telemetry system	44,422	13,302	-	57,724
Lines and storage	10,910,093	6,971	-	10,917,064
Construction in progress	12,265	44,326	-	56,591
Total	12,441,890	64,599	-	12,506,489
Less: Accumulated depreciation	7,492,051	330,433	-	7,822,484
Property, Plant and Equipment, net	$ 4,949,839	$ (265,834)	$ -	$ 4,684,005

Construction in progress of $5,511,729 and $56,591 at February 28, 2023 and 2022 relates to plans for expansion of service to the Pettigrew/Boston area (see Note 7).

6. Long-Term Debt

Long-term debt of the Association consists of:

As of February 28,	2023	2022
$575,700 USDA Rural Development mortgage loan #5 dated November 28, 1989 - Payments are made monthly in the amount of $2,827 including interest at 5%. The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and matures in 2029.	$ 181,740	$ 205,923
$706,000 USDA Rural Development mortgage loan #7 dated November 24, 1992 - Payments are made monthly in the amount of $3,439 including interest at 5%. The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and matures in 2032.	304,893	330,232
$956,900 USDA Rural Development mortgage loan #9 dated December 9, 1998 - Payments are made monthly in the amount of $4,546 including interest at 4.75%. The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and matures in 2038.	566,911	593,847
$224,000 USDA Rural Development mortgage loan #11 dated December 9, 1998 - Payments are made monthly in the amount of $1,100 including interest at 5%. The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and matures in 2038.	134,945	141,229
$767,000 USDA Rural Development mortgage loan #12 dated October 7, 2009 - Payments are made monthly in the amount of $5,077 including interest at 4.25%. The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and matures in 2029.	257,890	307,020
$1,742,000 USDA Rural Development mortgage loan #13 dated June 7, 2022 - Monthly payments commence thirteen months from date of closing in the amount of $4,822 including interest at 1.5% The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and and matures in 2062.	1,742,000	-

6. Long-Term Debt (continued)

As of February 28,		2023		2022
$392,000 USDA Rural Development mortgage loan #15 dated June 7, 2022 - Monthly payments commence thirteen months from date of closing in the amount of $1,063 including interest at 1.25% The loan is secured by the waterlines, tanks and related equipment and all other real and personal property of the Association and and matures in 2062.		392,000		-
$200,000 Arkansas Natural Resources Commission (ANRC) mortgage loan dated December 1, 1990 - Annual payments are made in the amount of $11,656 including interest at 5%. The loan is secured by the waterlines, tanks and related equipment and matures in 2030.		75,333		82,846
Total		3,655,712		1,661,097
Less current maturities		139,036		139,036
Long-Term Debt	$	3,516,676	$	1,522,061

Debt is scheduled to mature as follows:

February 28,		Principal		Interest		Total
2024	$	179,123	$	90,337	$	269,460
2025		194,320		93,120		287,440
2026		202,237		85,203		287,440
2027		210,514		76,926		287,440
2028		199,336		88,104		287,440
Thereafter		2,670,182		664,752		3,334,934
Total	$	3,655,712	$	1,098,442	$	4,754,154

Activity of the long-term debt consists of the following:

As Of		March 1, 2022		Additions		Payments		February 28, 2023
USDA Rural Development	$	1,578,251	$	2,134,000	$	131,872	$	3,580,379
ANRC		82,846		-		7,513		75,333
Total	$	1,661,097	$	2,134,000	$	139,385	$	3,655,712

As Of		March 1, 2021		Additions		Payments		February 28, 2022
USDA Rural Development	$	1,703,831	$	-	$	125,580	$	1,578,251
ANRC		90,002		-		7,156		82,846
Total	$	1,793,833	$	-	$	132,736	$	1,661,097

6. Long-Term Debt (continued)

The loan ordinances require the Association to maintain various restricted cash and investment accounts to meet debt reserve and other general requirements. The Association was in compliance with all such restrictions for the years ended February 28, 2023 and 2022.

7. Net Assets With Donor Restrictions / Grant Proceeds / Contributions of Nonfinancial Assets

On August 5, 2022, construction began for the expansion of service to the Pettigrew/Boston area. The project is estimated to cost approximately $11.7 million and will be funded primarily with grants totaling approximately $8.4 million and loans totaling $2.1 million. The Association received grant funds totaling $2,432,627 and loans totaling $2,134,000 (see Note 6) for the project during the year ended February 28, 2023. In addition, during the year ended February 28, 2023, the State and County paid a total of $946,317 directly for the project. At February 28, 2023, the Association had unspent grant proceeds for the project totaling $72,500, which is reflected as net assets with donor restrictions. The project is estimated to be complete in 2025.

8. Concentrations of Credit

Financial instruments that potentially subject the Association to credit risk consist primarily of accounts receivable. The Association sells only to businesses and individuals within the same geographic region.

9. Commitments

The Department has a contract to purchase all of its water from the Madison County Water Facilities Board (MCWFB) and the City of Fayetteville, Arkansas. The term of the contract with MCWFB is for forty years beginning January 1992, with a minimum purchase of 6,083,000 gallons of water per month at a fee of $11,557.70 per month. This amount can change at the seller's discretion and the contract can be renewed or extended as agreed upon between the seller and purchaser. The contract with the City of Fayetteville, Arkansas is for a term of twenty years beginning January 1996, with a minimum purchase of 2,700,000 gallons of water per month at the City of Fayetteville's wholesale water rate. The Association paid MCWFB $471,757 and $349,386 for water purchases during the years ended February 28, 2023 and 2022, respectively. The Association paid the City of Fayetteville $196,437 and $197,595 for water purchases during the years ended February 28, 2023 and 2022, respectively.

10. Employee Benefits

The Association provides an Employee Retirement Plan covering substantially all employees. Under the Plan, the Association contributes 8% of the employees regular wages. Employee vesting is as follows, 0% the first two years of employment and 20% each year thereafter with full vesting after seven years. Employees may voluntarily contribute to the Plan as a salary deferral with 100% vesting of their contribution. Retirement expense for the Association was $26,156 and $24,381 for the years ended February 28, 2023 and 2022, respectively.

MOUNT OLIVE WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023 AND 2022

10. Employee Benefits (continued)

The Association provides group health insurance for all employees. The Association's cost is 70% of the total premium for the first five years of employment and 90% of the total premium after five years of employment. Health insurance expense for the Association was $88,077 and $82,696 for the years ended February 28, 2023 and 2022, respectively.

11. Liquidity and Availability of Financial Assets

The Association manages liquidity and reserves by operating within a prudent range of financial responsibility, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the Association's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

As of February 28,	2023	2022
Cash and cash equivalents	$ 803,328	$ 757,251
Certificates of deposit	331,821	469,945
Restricted cash and cash equivalents	293,906	213,075
Restricted certificates of deposit	413,528	272,082
Accounts receivable	159,341	161,436
Grants receivable	250,271	-
Total financial assets available	2,252,195	1,873,789
Contractual or donor imposed restrictions:		
Debt service reserves	(291,108)	(258,284)
Meter deposits	(259,424)	(226,873)
System repairs and maintenance	(84,402)	-
Pettigrew/Boston expansion project	(72,500)	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,544,761	$ 1,388,632

12. Subsequent Events

The Association has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended February 28, 2023 through August 18, 2023, the date the financial statements were available to be issued. Other than the information mentioned in Note 7 relating to the construction in progress for the Pettigrew expansion project, there were no other subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

MOUNT OLIVE WATER ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED FEBRUARY 28, 2023

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number		Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems For Rural Communities			
Loans	10.760	$	2,134,000
Grants	10.760		2,332,627
Total U.S. Department of Agriculture			4,466,627
Total Federal Assistance		$	4,466,627

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mount Olive Water Association, Inc. under programs of the federal government for the year ended February 28, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code* of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mount Olive Water Association, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of the Association.

Note B - Summary of Significant Accounting Policies

This schedule of expenditures of federal awards includes the federal program activity of Mount Olive Water Association, Inc. and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Mount Olive Water Association, Inc. does not charge indirect cost rates and charges 100% of their costs directly.

Note D - Federal Awards Passed Through to Subrecipients

No federal financial assistance has been provided to a subrecipient.

See independent auditor's report.

ADDITIONAL REQUIRED REPORTS

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
Mount Olive Water Association
Elkins, AR

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 Mount Olive Water Association (a nonprofit organization), which comprise the statement of financial position as of February 28, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Olive Water Association's internal control over financial reporting (internal control) as a basis for designing 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 an opinion on the effectiveness of Mount Olive Water Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Olive Water 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 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.

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Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Mount Olive Water Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Mount Olive Water Association's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Mount Olive Water Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

This 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 Mount Olive Water Association's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Mount Olive Water Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
August 18, 2023

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Mount Olive Water Association
Elkins, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mount Olive Water Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mount Olive Water Association's major federal programs for the year ended February 28, 2023. Mount Olive Water Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mount Olive Water Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mount Olive Water Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Mount Olive Water Association's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mount Olive Water Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mount Olive Water Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mount Olive Water Association's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mount Olive Water Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mount Olive Water Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mount Olive Water Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
August 18, 2023

MOUNT OLIVE WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED FEBRUARY 28, 2023

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _x_ yes ___ no

Significant deficiency(ies) identified? ___ yes _x_ none reported

Noncompliance material to financial statements noted? ___ yes _x_ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ___ yes _x_ no

Significant deficiency(ies) identified? ___ yes _x_ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? ___ yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? ___ yes _x_ no

MOUNT OLIVE WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED FEBRUARY 28, 2023

Section II - Financial Statement Findings

Findings - Financial Statement Audit - Current Year

Material Weakness

2023-001 Reconciliation of Assets, Liabilities, and Equity

Condition:
Statement of Financial Position accounts not including cash accounts were not being reconciled at the end of the year.

Criteria:
Each asset, liability, and equity account should be reconciled at the end of the year to prevent, detect, and correct material misstatements in the financial statements. GAAP (generally accepted accounting principles) requires these accounts to be presented in the financial statements free from material misstatements whether due to error or fraud.

Cause:
Accounts receivable, inventory, prepaid Insurance, fixed assets, accounts payable, payroll liabilities, accrued interest, meter deposit liability, long term debt, and net assets were not reconciled at year end.

Effect:
The result of failing to reconcile accounts mentioned above is the potential for material misstatements to enter into the financial statements. One account alone could produce a material misstatement, but having more than one escalates the potential to a material weakness in internal control over financial reporting.

Recommendation:
We recommend that once all information has been received at the end of the year, that each account in the statement of financial position be reconciled to GAAP standards. This will involve detailed review of the general ledger for these accounts to ensure that entries through out the year were entered accurately and classified properly. Reconciliation of these accounts are as important as bank reconciliations to the overall presentation of the financial statements.

Responsible Official's Comments and Plan of Action:
The Board will monitor the systems of internal controls relating to the preparation of the GAAP based financial statements and footnote disclosures.

Section II - Financial Statement Findings (continued)

Findings - Financial Statement Audit - Prior Year

Material Weakness

2022-001 Reconciliation of Assets, Liabilities, and Equity

Condition:
Statement of Financial Position accounts not including cash accounts were not being reconciled at the end of the year.

Recommendation:
We recommend that once all information has been received at the end of the year, that each account in the statement of financial position be reconciled to GAAP standards. This will involve detailed review of the general ledger for these accounts to ensure that entries through out the year were entered accurately and classified properly. Reconciliation of these accounts are as important as bank reconciliations to the overall presentation of the financial statements.

Current Status:
See 2023-001

Section III - Federal Award Findings and Questioned Costs

Material Weaknesses/Significant Deficiencies - Current Year
None

Material Weaknesses/Significant Deficiencies - Prior Year
N/A