

**INDEPENDENCE - JACKSON REGIONAL WATER
USERS ASSOCIATION, INC.
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Independence - Jackson Regional Water Users Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Independence - Jackson Regional Water Users Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Independence - Jackson Regional Water Users Association, Inc. as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Independence - Jackson Regional Water Users 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independence-Jackson Regional Water Users Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 opinions. 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 combined 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 Independence-Jackson Regional Water Users 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independence-Jackson Regional Water Users Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025 on our consideration of Independence - Jackson Regional Water Users Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Independence - Jackson Regional Water Users Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independence - Jackson Regional Water Users Association, Inc.'s internal control over financial reporting and compliance.

Whitmire, Robinson & Co., CPA
Batesville, AR
January 21, 2025

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	Assets	
	2024	2023
Current Assets		
Cash in banks and on hand	\$78,654	\$93,916
Accounts receivable, net of allowance for credit losses of \$2,177 and \$2,177	65,594	76,229
Unbilled revenue	95,220	92,172
Accrued interest receivable	246	218
Prepaid insurance	5,590	3,680
Inventory (Note 1)	39,415	33,562
Total Current Assets	284,719	299,777
Noncurrent Assets		
Restricted Assets		
CD - meter deposit account	26,872	25,414
CD - debt reserve	249,709	236,608
Total Restricted Assets	276,581	262,022
Capital Assets		
Land and land improvements	65,938	65,938
Other capital assets, net accumulated depreciation	4,034,298	4,242,193
Total Capital Assets	4,100,236	4,308,131
Other Assets		
Co Bank patronage	28,644	21,714
Total Other Assets	28,644	21,714
Total Noncurrent Assets	4,405,461	4,591,867
Total Assets	\$4,690,180	\$4,891,644

See notes to financial statements.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION (Cont.)
SEPTEMBER 30, 2024 AND 2023

	Liabilities and Net Assets	
	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	\$6,808	\$21,908
Payroll and other taxes payable	10,641	11,064
Accrued interest payable	2,064	3,240
Accrued vacation	4,430	3,159
Current maturities of long-term debt	<u>114,453</u>	<u>109,662</u>
Total Current Liabilities	<u>138,396</u>	<u>149,033</u>
Meter Deposits	83,748	82,246
Long-term Debt, Net of Current Maturities	<u>1,273,987</u>	<u>1,386,282</u>
Total Liabilities	<u>1,496,131</u>	<u>1,617,561</u>
Net Assets - Without Donor Restrictions		
Undesignated	2,917,468	3,012,061
Board designated	<u>276,581</u>	<u>262,022</u>
Total Net Assets - Without Donor Restrictions	<u>3,194,049</u>	<u>3,274,083</u>
Total Liabilities and Net Assets	<u><u>\$4,690,180</u></u>	<u><u>\$4,891,644</u></u>

See notes to financial statements.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Changes in Net Assets - Without Donor Restrictions		
Operating Income		
Water sales	\$864,928	\$887,171
Connection charges	330	180
Late payment penalties	12,142	12,513
Miscellaneous income	8054	5,230
Total Operating Income	<u>885,454</u>	<u>905,094</u>
Operating Expenses		
Program expenses	863,629	851,680
Management and general	73,578	72,711
Total Operating Expenses	<u>937,207</u>	<u>924,391</u>
Net Income (Loss) From Operations	<u>(51,753)</u>	<u>(19,297)</u>
Nonoperating Revenue (Expense)		
Patronage capital refund	11,167	8,036
Gain on sale of asset	9,390	23,336
Other Income - Interest	14,588	4,650
Other Expense - Interest	(63,426)	(69,254)
Total Nonoperating Revenue (Expense)	<u>(28,281)</u>	<u>(33,232)</u>
Changes in Net Assets - Without Donor Restrictions	<u>(80,034)</u>	<u>(52,529)</u>
Net Assets - Without Donor Restrictions,		
Beginning of Year	<u>3,274,083</u>	<u>3,326,612</u>
Net Assets - Without Donor Restrictions, End of Year	<u><u>\$3,194,049</u></u>	<u><u>\$3,274,083</u></u>

See notes to financial statements.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

**Year Ended September 30,
2024:**

	Program Services	Management and General	Total
Salaries	\$183,153	\$38,453	\$221,606
Utilities	86,573	4,557	91,130
Chemicals	33,166		33,166
Operating supplies	90,782		90,782
Repairs	40,901		40,901
Automobile and truck expense	47,670		47,670
Telephone and telemeter	7,065		7,065
Office Supplies and postage	4,814	4,812	9,626
Insurance	41,982	11,067	53,049
Legal and Accounting	-0-	8,600	8,600
Uniforms	3,533		3,533
Payroll taxes	16,511	2,941	19,452
Bad debts and returned checks	13,562		13,562
Miscellaneous	34,511	2,491	37,002
Depreciation	259,406	657	260,063
Total Expenses	<u><u>\$863,629</u></u>	<u><u>\$73,578</u></u>	<u><u>\$937,207</u></u>

**Year ended September 30,
2023:**

Salaries	\$153,198	\$36,053	\$189,251
Utilities	108,936	5,734	114,670
Chemicals	41,430		41,430
Operating Supplies	88,281		88,281
Repairs	56,245		56,245
Automobile and truck expense	55,553		55,553
Telephone and telemeter	7,521		7,521
Office supplies and postage	5,655	5,655	11,310
Insurance	31,417	9,827	41,244
Legal and accounting		8,075	8,075
Uniforms	2,851		2,851
Payroll taxes	13,357	2,758	16,115
Bad debts and returned checks	10,414		10,414
Miscellaneous	21,834	3,131	24,965
Depreciation	254,988	1,478	256,466
Total Expenses	<u><u>\$851,680</u></u>	<u><u>\$72,711</u></u>	<u><u>\$924,391</u></u>

See notes to financial statements.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in Net Assets	(\$80,034)	(\$52,529)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	260,063	256,466
Gain on sale of asset	(9,390)	-0-
Bad debt expense	9,869	-0-
Change in operating assets and liabilities:		
Non-cash patronage dividends	(6,930)	-0-
Accounts receivables	766	2,879
Unbilled revenue	(3,048)	3,147
Inventory	(5,853)	(2,979)
Prepaid insurance	(1,910)	(3,680)
Accrued interest receivable	(28)	38
Accounts payable	(15,100)	(6,118)
Accrued expenses	(1,176)	(2,606)
Accrued and withheld payroll taxes	(423)	(109)
Accrued payroll/vacation	1,271	(6,201)
Net Cash Provided by Operating Activities	<u>148,077</u>	<u>188,308</u>
Cash Flows from Investing Activities		
Purchases of capitalized equipment	(54,668)	(26,107)
Proceeds on sale of asset	11,890	(23,336)
Customer deposits	1,502	1,900
Net Cash (Used) by Investing Activities	<u>(41,276)</u>	<u>(47,543)</u>
Cash Flows from Financing Activities		
Principal payments of long-term debt	(107,504)	(103,751)
Net Cash (Used) by Financing Activities	<u>(107,504)</u>	<u>(103,751)</u>
Net Increase/(Decrease) in Cash	(703)	37,014
Cash and Cash Equivalents, Beginning of Year	355,938	318,924
Cash and Cash Equivalents, End of Year	<u>\$355,235</u>	<u>\$355,938</u>
Supplementary Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$64,602</u>	<u>\$68,346</u>

See notes to financial statements.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies

a. Organization

Independence - Jackson Water Users Association, Inc. is a nonprofit water utility formed in 1985 to construct, maintain, and operate a private water system for supplying water to its members.

b. Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes there in are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate amounts from net assets without donor restrictions for specific purposes. The Board of Directors has designated a total of \$276,581 and \$262,022 of the net assets without donor restriction for these purposes at September 30, 2024 and 2023, respectively.

	<u>2024</u>	<u>2023</u>
Debt reserve	\$249,709	\$236,608
Meter deposits	\$26,872	\$25,414

Net Assets with Donor Restrictions - Net assets subject to donor - (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

c. Method of Accounting

The Association maintains its records on the accrual basis for financial purposes.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. The principal operating revenues of the Association are charges to customers water sales. Operating expenses for the Association include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d. Use of Estimates

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

e. Concentrations

The Association grants credit for water sales to its members, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The collectibility of the Association's receivables is dependent upon its member's ability to honor their water bill obligations. However, each member has a deposit with the Association which is held as security.

f. Cash Equivalents

For the purpose of the statement of cash flows, the Association considers all highly liquid debt instruments that are not restricted funds and with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

g. Accounts Receivable

Accounts receivable related to water billing are shown net of an allowance for doubtful accounts. Credit extended to customers is generally uncollateralized. Accounts are due the 6th of each month. Past due accounts are charged a 10% late fee. It is the Association's policy to disconnect services on the 16th. Customers are required to make a deposit, and deposits can be offset against the receivable.

Accounts receivable consist of credit extended to users in the normal course of business. Independence - Jackson Regional Water Users Association, Inc. uses the allowance method to account for uncollectible accounts receivable. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance accounts. The policy for determining when receivables are post due or delinquent is based on how recently payments have been received. Management uses significant judgment in estimating uncollectible amounts. While management believes that Independence - Jackson Regional Water Users Association, Inc.'s processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to any allowance recorded by Independence - Jackson Regional Water Users Association, Inc.

h. Revenue Recognition

Revenue from water sales is recognized at the time the water is delivered to the customer. Water revenues are determined based on monthly meter readings. Any water used between billing date and the end of the month is estimated based on the applicable portion of the billing of the following month. Revenues from connections and any other revenue is recognized at the point of service.

Water revenue is recorded based on customer billings.

i. Inventory

Inventory consists of replacement parts and chemicals and has been recorded at the lower of cost or net realizable value.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

j. Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation of the cost of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Depreciation expense for the years ended September 30, 2024 and 2023 was \$260,563 and \$256,466. The policy of Independence - Jackson Regional Water Users Association, Inc. is to capitalize all assets in excess of \$500.

k. Income Taxes

The Association is exempt from income taxes under IRS Code Section 501(c)(12).

l. Regulatory Environment

Any rate increase must be authorized by the Association's Board of Directors. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act, and the Arkansas Department of health.

m. Insurance

The Association is exposed to various risks of loss related to property and casualty losses. It is the policy of Independence - Jackson Regional Water Users Association, Inc. to purchase commercial insurance including workers' compensation, for the risks of loss to which it is exposed. Under this arrangement, the Association assumes the risk for the amount of loss where risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

n. Functional Allocation of Expenses

The costs of providing the programs and supporting service activities have been directly charged. Management and general costs consist of audit expenses and other administrative expenses.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 2 - Restricted Cash

Funds held as restricted assets at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Debt reserve - USDA	\$29,520	\$29,520
Debt reserve Co-Bank T02	80,000	80,000
Debt reserve Co-Bank T03	14,000	14,000
Debt reserve Co-Bank T04	37,000	37,000
Debt reserve Co-Bank T01	13,000	13,000
Short-lived asset reserve	76,189	63,088
Meter deposits	26,872	25,414
	<u>\$276,581</u>	<u>\$262,022</u>

The Loan Resolution Security Agreement with USDA requires that the Association establish a debt service reserve that includes \$246 per month in addition to the required monthly payment until \$29,520 has been accumulated; then the additional payment shall not be required.

In accordance with Co-Bank Loan Resolution Security Agreements, the Association is required, for each mortgage payable, to set aside a debt service reserve.

Short-lived Asset Reserve

Funds of \$76,189 are shown as restricted for short lived asset reserve. The Association also maintains unrestricted cash for the remaining amount of \$78,654 for a total of \$154,843. The required amount for the short lived asset reserve at September 30, 2024 is \$219,774. Short-lived asset reserve is not adequate as of September 30, 2024, deficient amount of \$64,931.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 3 - Property, Plant and Equipment

The components of property, plant, and equipment as of September 30, 2024 are as follows:

	October 1, 2023	Additions	Deletions	September 30, 2024
Utility Plant	\$9,310,885	\$49,668		9,360,553
Equipment and fixtures	244,912	5,000	(\$2,500)	247,412
Land	50,198			50,198
Land improvements	15,740			15,740
Software	14,768			14,768
Totals	9,636,503	54,668	(\$2,500)	9,688,671
Accumulated depreciation	(5,328,372)	(260,063)		(5,588,435)
Utility Plant, net	<u>\$4,308,131</u>	<u>(\$205,395)</u>	<u>(\$2,500)</u>	<u>\$4,100,236</u>

The components of property, plant, and equipment as of September 30, 2023 are as follows:

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Utility Plant	9,310,885			\$9,310,885
Equipment and fixtures	224,410	\$58,107	(\$37,605)	244,912
Land	50,198			50,198
Land improvements	15,740			15,740
Software	14,768			14,768
Totals	9,616,001	58,107	(37,605)	9,636,503
Accumulated depreciation	(5,100,847)	(256,466)	28,941	(5,328,372)
Utility Plant, net	<u>\$4,515,154</u>	<u>(\$198,359)</u>	<u>(\$8,664)</u>	<u>\$4,308,131</u>

Note 4 - Concentrations of Credit Risk

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Association maintains its cash accounts primarily with banks located in Batesville, Arkansas. The total cash balances are insured by the FDIC up to \$250,000 per bank. At September 30, 2024, the Association's carrying amount of deposits was \$355,235, and the bank balance was \$355,136. Of the bank balance, \$26,582 was not insured by the FDIC and/or collateralized.

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 5 - Notes Payable

Notes payable consists of the following as of September 30:

	<u>2024</u>	<u>2023</u>
4.00% Note payable to U. S. Dept. Of Agriculture, dated August 12, 2011, interest only until August 12, 2012, monthly installments thereafter (including principal and interest) of \$2,458, maturing in August 2050, collateralized by plant facilities and water revenues	\$474,804	\$484,228
3.94% Note payable to Co-Bank, issued January 30, 2017 with monthly installments of approximately \$1,154 (including principal and interest) maturing November 20, 2026 collateralized by plant facilities and personal property	28,666	41,079
4.22% Note payable to Co-Bank, issued January 30, 2017 with monthly installments of approximately \$6,336 (including principal and interest) maturing July 20, 2029, collateralized by plant facilities and personal property	331,012	391,334
4.60% Note payable to Co-Bank, issued January 30, 2017 with monthly installments of approximately \$1,131 (including principal and interest) maturing January 20, 2036, collateralized by plant facilities and personal property	119,210	127,000
4.76% Note payable to Co-Bank, issued January 30, 2017 with monthly installments of approximately \$3,257 (including principal and interest) maturing September 20, 2040, collateralized by plant facilities and personal property	434,748	452,303
Total long-term debt	1,388,440	1,495,944
Less current maturities	(114,453)	(109,662)
Long-term debt, less current maturities	<u>\$1,273,987</u>	<u>\$1,386,282</u>

Future principal maturities are as follows:

2025	\$114,453
2026	119,455
2027	112,825
2028	115,523
2029	105,887
2030 and after	820,297
Total	<u>\$1,388,440</u>

INDEPENDENCE - JACKSON REGIONAL WATER USERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Cont.)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 6 - Compensated Absences

Independence - Jackson Regional Water Users Association, Inc.'s policy provides that employees accrue vacation at the rate of 5 days per year for the first year of employment and 10 days per year thereafter. Employees may carryover a maximum of 80 hours. Accrued vacation at September 30, 2024 and 2023 was \$4,430 and \$3,159 respectively.

Note 7 - Net Assets - Without Donor Restrictions

None of the Association's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Note 8 - Evaluation of Subsequent Events

The Association has evaluated subsequent events through January 21, 2025, the date which the financial statements were available to be issued.

Note 9 - Liquidity and Availability

The Association's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$78,654
Accounts Receivable	\$77,638

As part of the Association's liquidity, management has a policy to structure financial assets to be available as its general expenditure, liabilities and other obligations come due.

Note 10 - Related Party Transactions

The Association at times purchases operating supplies from businesses owned by board members. The cost of supplies purchased was \$4,515 and \$5,062 for the periods ended September 30, 2024 and September 30, 2023, respectively. Amounts owed at September 30, 2024 and September 30, 2023 to the businesses were \$0.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors

Independence - Jackson Regional Water Users Association, Inc.

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 Independence - Jackson Regional Water Users Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence - Jackson Regional Water Users 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 an opinion on the effectiveness of Independence - Jackson Regional Water Users Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

2024-1

Criteria: A proper segregation of duties is an integral part of the control structure.

Condition: The Association's internal control structure disclosed there are inherent limitations in the Association's controls in this regard.

Cause: The Association does not presently have the staff necessary to achieve a complete segregation of duties, and the employment of additional personnel for the purpose of segregating duties may not be practical from a cost-benefit stand point.

Effect or Potential Effect: There is not an adequate separation of duties.

Recommendations: We recommend that this control be kept in mind when reviewing the flow of transactions and the organizational structure.

Response: The Association is aware of the deficiency and will continue to mitigate the deficiency with increased controls and monitoring of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence - Jackson Regional Water Users 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and are described below:

2024-2

Criteria: The loan covenants USDA require short lived asset reserve in the amount of \$219,774.

Condition: Independence-Jackson Regional Water Users Association, Inc. had only \$154,843 available at September 30, 2024 for short lived asset reserve.

Cause: Independence-Jackson Regional Water Users Association, Inc. was short funds by \$64,931 of meeting the required amount of \$219,774.

Effect or Potential Effect: The Association is not in compliance with loan covenants of Rural Utility Service.

Recommendation: We recommend that funds be maintained to meet compliance requirement.

Response: The Association is aware of the non-compliance and will take measures to get in compliance.

Independence - Jackson Regional Water Users Association, Inc.'s Response to Findings

Independence - Jackson Regional Water Users Association, Inc.'s response to the findings identified in our audits is described above. Independence - Jackson Regional Water Users Association, Inc.'s response was not subjected to the auditing procedures applied in the audits 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 results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitmire, Robinson & Co.
Batesville, Arkansas
January 21, 2025