

LITTLE CREEK WATER USERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of the
Little Creek Water Users' Association, Inc.

We have performed the procedures enumerated below for the Little Creek Water Users' Association, Inc., ("the Organization"), for the year ended December 31, 2024. The Organization's management is responsible for accounting records.

Little Creek Water Users' Association, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of issuing a report on findings based on specific procedures performed on subject matter. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: No findings identified.

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: No findings identified.

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Findings: *No findings identified.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

Findings: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The script is cursive and fluid, with the "S" being particularly large and stylized.

Monticello, Arkansas
February 27, 2025

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of the
Little Creek Water Users' Association, Inc.

We have compiled the accompanying Statement of Financial Position of Little Creek Water Users' Association, Inc. as of December 31, 2024, and the related statement of activities, cash flows, and functional expenses for the year then ended. We have not audited or reviewed the 2024 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the accompanying financial statements of Little Creek Water Users' Association, Inc., which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.



Monticello, Arkansas
February 27, 2025

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION

For the Year Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 706,140	\$ 605,916
Accounts receivable	94,399	89,469
Other current assets	8,226	6,390
Total current assets	<u>808,765</u>	<u>701,775</u>
<u>Fixed assets, net of accumulated depreciation</u>	1,504,722	1,595,209
<u>Other Assets</u>		
Cash reserve - board restricted construction	108,205	72,931
Cash reserve - meter deposits	64,938	62,258
Cash reserve - debt service	242,400	242,400
Total other assets	<u>415,543</u>	<u>377,589</u>
Total assets	<u>\$ 2,729,030</u>	<u>\$ 2,674,573</u>
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 14,903	\$ 15,406
Accrued interest	2,889	3,235
Accrued payroll	1,753	1,795
Other accrued expenses	2,842	2,842
Current portion of notes payable	88,366	83,440
Total current liabilities	<u>110,753</u>	<u>106,718</u>
<u>Long term liabilities</u>		
Notes payable, net of current amount	961,902	1,050,264
Customer deposits	64,938	62,258
Total long term liabilities	<u>1,026,840</u>	<u>1,112,522</u>
Total liabilities	1,137,593	1,219,240
<u>Net assets</u>		
Net assets without donor restrictions	1,349,037	1,212,933
Net assets with donor restrictions	242,400	242,400
Total net assets	<u>1,591,437</u>	<u>1,455,333</u>
Total liabilities and net assets	<u>\$ 2,729,030</u>	<u>\$ 2,674,573</u>

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024 and 2023

	2024	2023
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 484,255	\$ 472,612
Construction fund service fees	35,283	35,291
Water connection fees	15,266	14,197
Penalties and late fees	7,639	7,651
Other operating income	16,436	19,124
Total revenues	558,879	548,875
Expenses		
Operating expenses	277,072	320,052
General and administrative	110,464	106,713
Total expenses	387,536	426,765
Income (loss) from operations	171,343	122,110
Non-operating income (expense)		
Interest income	16,798	14,419
Interest expense	(52,037)	(56,821)
Total non-operating income (expense)	(35,239)	(42,402)
Change in net assets without donor restrictions	136,104	79,708
Change in net assets with donor restrictions	-	-
<u>Change in net assets</u>	136,104	79,708
<u>Net assets, beginning of year</u>	1,455,333	1,375,625
<u>Net assets, end of year</u>	\$ 1,591,437	\$ 1,455,333

The accompanying notes are an integral part of the financial statements

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2024 and 2023

	2024	2023
<u>Cash flows from operating activities</u>		
Income from operations	\$ 171,343	\$ 122,110
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	90,487	90,411
Changes in assets and liabilities:		
Accounts receivable	(4,930)	(5,253)
Other current assets	(1,836)	(6,390)
Accounts payable	(503)	-
Accrued expenses	(42)	(10)
Total adjustments	83,176	78,758
Net cash provided by (used for) operating activities	254,519	200,868
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	-	(4,580)
Interest income	16,798	14,419
Net cash provided by (used for) investing activities	16,798	9,839
<u>Cash flows from financing activities</u>		
Principal payments	(83,436)	(78,793)
Interest payments	(52,383)	(57,026)
Change in customer deposits	2,680	970
Net cash provided by (used for) financing activities	(133,139)	(134,849)
<u>Change in cash and cash equivalents</u>	138,178	75,858
<u>Cash and cash equivalents, beginning of year</u>	983,505	907,647
<u>Cash and cash equivalents, end of year</u>	\$ 1,121,683	\$ 983,505
 <u>Cash and cash equivalents</u>	 \$ 771,078	 \$ 668,174
<u>Restricted cash and cash equivalents</u>	350,605	315,331
	\$ 1,121,683	\$ 983,505

The accompanying notes are an integral part of the financial statements

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024 and 2023

	2024		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 5,103	\$ 45,930	\$ 51,033
Depreciation	85,963	4,524	90,487
Contract labor	73,892	-	73,892
Supplies	37,873	4,208	42,081
Repairs and maintenance	20,490	1,078	21,568
Utilities	26,036	4,594	30,630
Insurance	16,139	4,035	20,174
Office supplies	-	18,481	18,481
Professional services	-	14,330	14,330
Dues, subscriptions, licenses	2,811	2,810	5,621
Rent expense	240	4,560	4,800
Travel expenses	3,919	206	4,125
Payroll taxes	397	3,573	3,970
Communication	3,111	1,037	4,148
Other expenses	1,098	1,098	2,196
Total expenses	<u>\$ 277,072</u>	<u>\$ 110,464</u>	<u>\$ 387,536</u>

	2023		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 5,046	\$ 45,409	\$ 50,455
Depreciation	85,890	4,521	90,411
Contract labor	66,124	-	66,124
Supplies	38,500	4,278	42,778
Repairs and maintenance	75,034	3,949	78,983
Utilities	23,516	4,150	27,666
Insurance	14,694	3,674	18,368
Office supplies	-	16,784	16,784
Professional services	-	10,827	10,827
Dues, subscriptions, licenses	2,864	2,863	5,727
Rent expense	240	4,560	4,800
Travel expenses	3,560	187	3,747
Payroll taxes	394	3,546	3,940
Communication	3,154	1,051	4,205
Training	129	7	136
Other expenses	907	907	1,814
Total expenses	<u>\$ 320,052</u>	<u>\$ 106,713</u>	<u>\$ 426,765</u>

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

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Little Creek Water Users' Association, Inc. (the "Organization") is a not-for-profit corporation established under the laws of the State of Arkansas and is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in the surrounding rural community.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. Credit extended to customers are generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit and deposits can be offset against the receivable for delinquent billings or returned to the customer when the account is closed.

The Organization has an allowance for doubtful accounts of \$20,410 as of December 31, 2024 and 2023.

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 1 (continued)

Property and Equipment

Property and Equipment are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those 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. The income from these net assets may be used for specific purposes. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net ass released from restrictions.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. The Organization files an exempt return in the U.S. federal jurisdiction.

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 1 (continued)

Reclassification

Certain accounts in prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

Date of Management's Review

The Organization evaluated its December 31, 2024 and 2023 financial statements for subsequent events through February 27, 2025, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 1,121,683	\$ 983,505
Receivables	94,399	89,469
	<u>1,216,082</u>	<u>1,072,974</u>
Less: restricted cash for construction	(108,205)	(72,931)
Less: restricted cash for deposit accounts	(64,938)	(62,258)
Less: restricted cash for debt requirements	<u>(242,400)</u>	<u>(242,400)</u>
Available for general expenditure	<u>\$ 865,477</u>	<u>\$ 757,643</u>

Restricted cash consists of funds held in reserve by the Organization as required by the U.S. Department of Agriculture – Rural Development (“USDA”) and Arkansas Natural Resources Commission (“ANRC”). In accordance with loan covenants, the USDA requires the Organization to maintain cash of \$80,400 for debt service and the ANRC requires the Organization to maintain cash of \$55,695 for debt service, which equals the amount of principal and interest annual payments. In addition, the USDA requires the Organization to maintain a separate cash account for the repairs and replacements of short-lived assets of \$106,305. It is the Organization’s policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. Total cash deposits temporarily restricted for debt service are \$242,400 at December 31, 2024 and 2023.

An additional reserve is required to be maintained to repay customers’ deposits upon the closing of the customers’ accounts. The total deposits held with the Organization required to be reserved at December 31, 2024 and 2023 are \$64,938 and \$62,258, respectively.

The Organization’s goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$190,000). As part of its liquidity plan, excess cash is held in timed deposits.

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2024 and 2023

NOTE 3 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2024 and 2023.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust department in the Organization's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Organization's name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 685,078	\$ 250,000	\$ 435,078	\$ -
Bank B	437,310	437,310	-	-
Total	<u>\$ 1,122,388</u>	<u>\$ 687,310</u>	<u>\$ 435,078</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced banks' deposits and may differ from the Organization's general ledger balances.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following balances at December 31:

	2024	2023
Land	\$ 12,074	\$ 12,074
Distribution system	2,775,734	2,775,734
Furniture & equipment	149,696	149,696
Water plant facility	925,312	925,312
	<u>3,862,816</u>	<u>3,862,816</u>
Accumulated depreciation	<u>(2,358,094)</u>	<u>(2,267,607)</u>
	<u>\$ 1,504,722</u>	<u>\$ 1,595,209</u>

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$4,663, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	\$ 674,568	\$ 698,717
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$1,293, including principal and interest through 2045; interest at 4.125%, secured by property and equipment	214,049	220,589
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$402, including principal and interest through 2046; interest at 4.375%, secured by property and equipment	38,357	41,430
Note payable to the USDA for the purchase of property and equipment, payable in 480 annual installments of \$319, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	45,089	46,789
Note payable to the ANRC for the purchase of property and equipment, payable in semi-annual installments of \$27,847.50, including principal and interest through 2026; interest at 6.75%, secured by property and equipment	78,205	126,179
Total debt	<u>\$ 1,050,268</u>	<u>\$ 1,133,704</u>

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 88,366	\$ 52,388
2026	65,746	47,454
2027	40,596	42,234
2028	42,466	39,537
2029	44,422	37,667
Thereafter	768,672	284,378
	<u>\$ 1,050,268</u>	<u>\$ 503,658</u>

LITTLE CREEK WATER USERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2024 and 2023

NOTE 6 – COLLABORATIVE AGREEMENT / JOINT VENTURE

The Organization is in a collaborative agreement with South Sheridan Water Association, Inc (“SSWA”). Under the agreement, the Organization share the same office building, water lines, portions of outstanding debt, various fixed assets, and expenses on any given year.

The Organization currently pays an operating lease of \$400 on a month-to-month basis for the office building that is cancellable at any time. Total rent expense paid to SSWA for the year ended December 31, 2024 and 2023 was \$4,800.

Fixed asset purchases are split either 50/50 or 40/60 depending on the intended use of the fixed asset. The Organization only capitalizes the Organization’s cost basis in the assets and not the total cost of the asset.

The debt to Arkansas Natural Resources is shared 50/50 and the total outstanding principal recorded in the statement of financial position and related disclosures are reported on the Organization’s 50% share in the debt and does not represent the full outstanding balance of the debt that the Organization can be held liable for in the case of default by SSWA.