

**WATSON WATERWORKS AND SEWER SYSTEM**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Legislative Joint Auditing Committee  
and Arkansas Natural Resources Commission

We have performed the procedures enumerated below for the Watson Waterworks and Sewer System, ("the Organization"), for the year ended December 31, 2023. The Organization's management is responsible for accounting records.

Watson Waterworks and Sewer System 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,

See Independent Accountant's Compilation Report.

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 specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive style with a large initial 'S'.

Monticello, Arkansas  
November 8, 2024

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**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Board of Directors  
Watson Waterworks and Sewer System

Management is responsible for the accompanying financial statements of Watson Waterworks and Sewer System (a nonprofit organization), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenditures, and changes in net position 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. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Monticello, Arkansas  
November 8, 2024

See Independent Accountant's Compilation Report.

**WATSON WATERWORKS AND SEWER SYSTEM**  
**STATEMENT OF NET POSITION**

For the Year Ended December 31, 2023

	2023
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 42,817
Accounts receivable (net)	7,153
Total current assets	49,970
<u>Fixed assets, net of accumulated depreciation</u>	398,686
<u>Restricted assets</u>	
Cash reserve - meter deposits	5,774
Cash reserve - debt service	58,168
Total restricted assets	63,942
Total assets	\$ 512,598
<u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 1,043
Accrued interest	576
Due to general fund	-
Current portion of notes payable	10,318
Total current liabilities	11,937
<u>Long term liabilities</u>	
Notes payable, net of current amount	249,380
Customer deposits	5,774
Total long term liabilities	255,154
Total liabilities	267,091
<u>Net Position</u>	
Invested in capital assets, net of related debt	138,988
Restricted	48,351
Unrestricted	58,168
Total net position	245,507
Total liabilities and net position	\$ 512,598

See Independent Accountant's Compilation Report.

**WATSON WATERWORKS AND SEWER SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2023

	2023
<u>Operating revenues</u>	
Water services	\$ 60,309
Farm Water	31
Other operating income	438
Total operating revenues	60,778
 <u>Operating expenses</u>	
Repairs and maintenance	4,471
Depreciation	32,189
Professional services	5,173
Utilities	5,154
Office supplies	686
Salaries, wages, and benefits	6,462
Contract labor	4,200
Supplies	5,896
Dues, subscriptions, licenses	1,174
Travel expenses	433
Payroll taxes	521
Total operating expenses	66,359
 Net operating income / loss	(5,581)
 <u>Other revenue / (expenses)</u>	
Interest income	570
Interest expense	(8,882)
Total other revenue / (expense)	(8,312)
 <u>Net increase / (decrease) in net position</u>	(13,893)
 <u>Net position, beginning of year</u>	259,400
<u>Net position, end of year</u>	\$ 245,507

See Independent Accountant's Compilation Report.

**WATSON WATERWORKS AND SEWER SYSTEM**  
**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2023

	2023
<u>Cash flows from operating activities</u>	
Cash received from customers	60,972
Payments for salaries and benefits	(6,462)
Payments for operating and administrative expenses	(28,732)
Net cash provided by (used for) operating activities	25,778
<u>Cash flows from investing activities</u>	
Interest income	570
Net cash provided by (used for) investing activities	570
<u>Cash flows from financing activities</u>	
Principal payments	(9,946)
Interest payments	(8,882)
Change in customer deposits	(438)
Net cash provided by (used for) financing activities	(19,266)
<u>Change in cash and cash equivalents</u>	7,082
<u>Cash and cash equivalents, beginning of year</u>	99,677
<u>Cash and cash equivalents, end of year</u>	\$ 106,759
<u>Cash flows from operating activities</u>	
Income from operations	\$ (5,581)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	32,189
Changes in assets and liabilities:	
Accounts receivable	194
Other current assets	-
Accounts payable	-
Accrued expenses	(1,024)
Total adjustments	31,359
Net cash provided by (used for) operating activities	\$ 25,778

See Independent Accountant's Compilation Report.