

NORTH LAUDERDALE WATER ASSOCIATION, INC.

Financial Statements

For the years ended April 30, 2025 and 2024

NORTH LAUDERDALE WATER ASSOCIATION, INC.
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WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA
Bradley L. Harrison, CPA
Justin H. Keller, CPA
Dana R. Estes, CPA
April W. Posey, CPA
Lauren M. Bowen, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Lauderdale Water Association, Inc.
Bailey, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of North Lauderdale Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the financial position of North Lauderdale Water Association, Inc. as of April 30, 2025 and 2024, 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Lauderdale Water Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

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 North Lauderdale Water 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.

Auditors' 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 auditors' 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 North Lauderdale Water Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Lauderdale Water 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.

Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information, including the schedules of interest-bearing deposits, insurance and bonds in force, water rates, cash reserves, and board of directors, 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 not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of North Lauderdale Water Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 North Lauderdale Water 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 North Lauderdale Water Association, Inc.'s internal control over financial reporting and compliance.

Meridian, Mississippi
June 25, 2025

Watkins Ward and Stafford, PLLC

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Statements of Financial Position
April 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 324,474	\$ 355,618
Accounts receivable, net	86,610	107,068
Certificates of deposit - short term	314,348	-
Interest receivable on short-term certificates of deposit	6,400	-
Supplies inventory	280,615	270,934
Prepaid expenses	28,597	24,789
Total current assets	<u>1,041,044</u>	<u>758,409</u>
Property, plant and equipment:		
Land	140,589	140,589
Office equipment	48,750	60,962
Office building and improvements	247,597	253,020
Shop equipment	364,294	419,230
Vehicles	277,508	277,508
Distribution system	2,596,247	2,529,273
Treatment plants	17,581,457	17,471,177
Wireless internet network	378,649	376,517
	<u>21,635,091</u>	<u>21,528,276</u>
Less: accumulated depreciation	<u>(13,558,377)</u>	<u>(13,244,597)</u>
	8,076,714	8,283,679
Construction in process	-	7,713
Total property, plant and equipment	<u>8,076,714</u>	<u>8,291,392</u>
Noncurrent assets:		
Certificates of deposit - long-term	201,069	508,315
Interest receivable on long-term certificates of deposit	5,489	13,998
Restricted certificates of deposit - meter deposits	209,626	187,467
Restricted certificates of deposit - debt service reserve	465,572	465,572
CoBank stock	143,643	131,638
Total noncurrent assets	<u>1,025,399</u>	<u>1,306,990</u>
Total assets	<u>\$ 10,143,157</u>	<u>\$ 10,356,791</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 70,108	\$ 43,361
Accrued expenses	43,253	42,963
Accrued interest expense	17,581	19,610
Members' meter deposits	209,626	187,467
Current portion of notes payable	311,194	298,660
Total current liabilities	<u>651,762</u>	<u>592,061</u>
Long-term liabilities:		
Notes payable - net of current portion	5,107,267	5,418,463
Total long-term liabilities	<u>5,107,267</u>	<u>5,418,463</u>
Total liabilities	<u>5,759,029</u>	<u>6,010,524</u>
Net assets:		
Without donor restrictions	4,384,128	4,346,267
Total net assets	<u>4,384,128</u>	<u>4,346,267</u>
Total liabilities and net assets	<u>\$ 10,143,157</u>	<u>\$ 10,356,791</u>

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

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Statements of Activities
For the Years Ended April 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets without donor restrictions:		
Revenues, gains/losses, and other support		
Net water sales	\$ 2,669,794	\$ 2,466,403
Meter charges and fees	19,881	22,863
Penalties for late payments	45,367	45,898
Membership fees	1,100	1,000
Internet services income	65,434	111,160
Interest income	66,226	50,211
Patronage dividend	39,445	41,532
Grant income	-	1,291
Gain/(loss) on disposal of assets	(27,465)	4,195
Casualty loss	(19,946)	-
Insurance recovery on casualty loss	19,946	-
Other income	5,367	6,115
Total revenue, gains/losses and other support	<u>2,885,149</u>	<u>2,750,668</u>
Expenses:		
Program services - water	2,471,301	2,257,426
Program services - internet	76,908	153,911
Management and general	299,079	279,380
Total expenses	<u>2,847,288</u>	<u>2,690,717</u>
Change in net assets without donor restrictions	<u>37,861</u>	<u>59,951</u>
Net assets, beginning of year	<u>4,346,267</u>	<u>4,286,316</u>
Net assets, end of year	<u>\$ 4,384,128</u>	<u>\$ 4,346,267</u>

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

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended April 30, 2025

	Program Services		Management and General	Total
	Water	Internet		
Auto expense	\$ 97,796	\$ -	\$ -	\$ 97,796
Bad debts	1,705	-	-	1,705
Bank charges	-	-	1,592	1,592
Chemicals	113,890	-	-	113,890
Contract services	-	43,320	-	43,320
Depreciation	562,394	26,711	-	589,105
Directors' fees	-	-	7,853	7,853
Dues and subscriptions	-	-	14,895	14,895
Electricity expense	165,572	-	-	165,572
Employee benefits	79,871	-	26,624	106,495
Equipment rentals	4,259	-	-	4,259
Insurance	62,048	-	-	62,048
Interest	237,099	-	-	237,099
Miscellaneous expense	3,293	-	-	3,293
Office expense	137,287	-	45,762	183,049
Payroll taxes	38,891	5,438	14,776	59,105
Postage	25,549	-	-	25,549
Recapitalization expenses	179,103	325	-	179,428
Repairs and maintenance	43,965	-	-	43,965
Salaries	562,730	-	187,577	750,307
Sales tax expense	147	-	-	147
Supplies and consumables	111,681	1,114	-	112,795
Telephone and internet	15,625	-	-	15,625
Travel	6,892	-	-	6,892
Uniforms	9,300	-	-	9,300
Water analysis fee	12,204	-	-	12,204
Total expenses	\$ <u>2,471,301</u>	\$ <u>76,908</u>	\$ <u>299,079</u>	\$ <u>2,847,288</u>

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

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended April 30, 2024

	Program Services		Management and General	Total
	Water	Internet		
Auto expense	\$ 78,690	\$ 4,326	\$ -	\$ 83,016
Bad debts	11,510	-	-	11,510
Bank charges	-	-	1,224	1,224
Chemicals	86,956	-	-	86,956
Contract services	-	41,380	-	41,380
Depreciation	575,071	25,783	-	600,854
Directors' fees	-	-	5,400	5,400
Dues and subscriptions	-	-	16,559	16,559
Electricity expense	178,550	-	-	178,550
Employee benefits	64,838	9,065	24,634	98,537
Equipment rentals	1,043	-	-	1,043
Insurance	49,676	-	-	49,676
Interest	249,261	-	-	249,261
Office expense	129,031	-	43,010	172,041
Payroll taxes	35,748	4,998	13,582	54,328
Postage	18,054	-	-	18,054
Professional fees	1,600	-	-	1,600
Recapitalization expenses	153,662	3,077	-	156,739
Repairs and maintenance	24,554	-	-	24,554
Salaries	460,524	64,389	174,971	699,884
Supplies and consumables	92,399	893	-	93,292
Telephone and internet	14,241	-	-	14,241
Travel	2,929	-	-	2,929
Uniforms	16,953	-	-	16,953
Water analysis fee	12,136	-	-	12,136
Total expenses	\$ <u>2,257,426</u>	\$ <u>153,911</u>	\$ <u>279,380</u>	\$ <u>2,690,717</u>

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

NORTH LAUDERDALE WATER ASSOCIATION, INC.

Statements of Cash Flows

For the Years Ended April 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 37,861	\$ 59,951
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	589,105	600,854
Dividend patronage income	(39,445)	(41,532)
(Gain)/loss on disposal of assets	27,465	(4,195)
Change in certain assets and liabilities:		
(Increase) decrease in current assets:		
Accounts receivable	20,458	(10,048)
Grant receivable	-	65,169
Supplies inventory	(9,681)	(51,114)
Prepaid expenses	(3,808)	73,560
Increase (decrease) in current liabilities:		
Accounts payable	26,747	22,191
Accrued expenses	290	(4,486)
Accrued interest expense	(2,029)	(427)
Net cash provided by operating activities	<u>646,963</u>	<u>709,923</u>
Cash flows from investing activities:		
Capital expenditures	(401,892)	(382,264)
Interest receivable on certificates of deposit	2,109	(8,239)
Net increase in certificates of deposits	(29,261)	(507,291)
Proceeds from disposal of assets	-	5,894
Proceeds from patronage dividend	27,440	27,086
Net withdrawals to reserves	22,159	21,076
Net cash used by investing activities	<u>(379,445)</u>	<u>(843,738)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(298,662)	(279,749)
Net cash used by financing activities	<u>(298,662)</u>	<u>(279,749)</u>
Decrease in cash and cash equivalents	(31,144)	(413,564)
Cash and cash equivalents, beginning of year	<u>355,618</u>	<u>769,182</u>
Cash and cash equivalents, end of year	<u>\$ 324,474</u>	<u>\$ 355,618</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	<u>\$ 239,128</u>	<u>\$ 249,688</u>

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

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Principles

a. Organization

North Lauderdale Water Association, Inc. ("the Association") was organized under Title 7 U.S. Code § 1926, 26 U.S. Code § 501(c)(12), and 79 MS Code § 11, as a rural water association for the purpose of providing community water to customers in a portion of North Central Lauderdale County, Mississippi.

In July 2020, the Association's membership voted to expand the portfolio of services of the overall nonprofit corporation to include internet, and the directors created a new internal division named North Lauderdale Wireless Internet (NLWI) to build and operate a new fixed wireless network. NLWI is fully contained within and subordinate to and governed by the same by-laws, articles of incorporation, and board of directors of the Association. NLWI subscribers do not have to be members of the Association, but the initial coverage area funded was designed to reach as many members as possible.

b. Financial Statement Presentation

The Association has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14. Under ASU 2016-14, the Association is required to report 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. In addition, the Association is required to present a statement of functional expenses and statement of cash flows. As permitted by the statements, the Association does not use fund accounting.

c. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers cash in banks and all short-term investments with original maturities of three months or less to be cash equivalents.

d. Certificates of Deposit

Based upon the Association's intent and ability to hold its certificates of deposit to maturity (which maturities are greater than three months at purchase), such securities have been classified as held-to-maturity and are carried at cost.

e. Accounts Receivable

Accounts receivable consists of amounts billed for services. Payment is due on or before the due date printed on the bill, which is 14 days from the date of mailing. A late penalty equal to 10% of the service fee is charged on payments received after 10th day following the due date. Services are terminated when an account becomes 60 days delinquent.

f. Revenue from Contracts

The Association has adopted ASU 2014-09. Under ASU 2014-09 the Association is required to report revenue from its contracts with the Association's members on a monthly basis. Revenue is mainly derived from water sales, connection fees, and service charges, with the Association's members. Water sales represent revenues earned for supplying members with water service. Meter charges and fees, penalties and membership fees are associated fees and charges related to services rendered for water provided. Generally, payment is due within 14 days once a bill is issued to a customer. Internet services revenue is derived from monthly subscriptions. Internet subscribers do not have to be members of the Association, but designed to reach as many members as possible.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Principles – Continued

f. Revenue from Contracts - Continued

Revenue from Exchange Transactions: The Association recognizes revenue from exchange transactions using guidance provided by FASB ASU 2014-09. Revenue from exchange transactions is recognized either at a point in time or over time depending on the terms of the contract or agreement. The Association has determined that all of its revenue from exchange transactions should be recognized at a point in time due to the nature of the related contracts and agreements. As presented on the Statements of Activities, sources of revenue from exchange transactions include water sales, meter charges and fees, penalties, membership fees, and internet services income.

g. Allowance for Credit Losses

The Association is a rural water cooperative and its accounts receivables are primarily derived from water bills. At each statement of financial position date, the Association recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Association's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the company. The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Association's portfolio has remained constant since the Association's inception.

The Association writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was to the financial statements as a whole for the years ending April 30, 2025 and 2024.

The Association's accounts receivable and related allowance are as follows:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$98,610	\$117,068
Allowance for credit losses	<u>(12,000)</u>	<u>(10,000)</u>
Net accounts receivable	<u>\$86,610</u>	<u>\$ 107,068</u>

h. Supplies Inventory

Inventories of supplies are recorded at the lower of cost (first in, first out) or market.

i. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The allowance for credit losses relating to receivables is based on aging of receivables. Due to the inherent uncertainty in estimating the collectability of receivables, it is at least reasonably possible that this estimate will be adjusted as more current information becomes available, and such adjustment could be material to the financial statements.

j. Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying value of such amounts.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Principles – Continued

k. Property, Plant and Equipment

It is the Association's policy to capitalize property and equipment having a useful life greater than one year. Property, plant and equipment are stated at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed utilizing the straight-line method of depreciation.

	Estimated useful life in years
Office building and improvements	5 – 40
Office/shop equipment	3 – 10
Vehicles	5
Distribution system/treatment plants	7 – 40
Wireless internet network	7 – 15

l. Compensated Absences

Employees of the Association are entitled to paid time off consisting of vacation and sick time depending on job classification, length of service, and other factors. According to the Association's policy, a minimum of five vacation days must be used each year or they will be lost. Any accumulated vacation days after the five mandatory are taken can be sold back to the Association at the employee's regular hourly rate. Accumulated vacation time is capped at fifteen days. Employees can carry forward up to 240 hours of accumulated sick time into the following year. Hours beyond 240 must be sold back to the Association for reimbursement at the current hourly rate of employee. At April 30, 2025, and 2024, there was approximately \$37,000 and \$34,000, respectively, of accrued compensated absences eligible to be carried forward

m. Customer Deposits

In accordance with industry practice, North Lauderdale Water Association, Inc. requires its customers to make a deposit before they can obtain water services. The deposit is refundable only when the customer ceases to be a user of the Association. At that time, the deposit is netted against the customer's final bill, and the balance, if any, is refunded. No interest is paid on these deposits.

At April 30, 2025, and 2024, there were 4,007 and 3,985, respectively, meters being served. Deposits are held in a certificate of deposit and are shown as a restricted asset on the face of the Statements of Financial Position.

n. Concentration of Credit Risk

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist of billed accounts receivable and unbilled costs. Billed accounts receivable and unbilled amounts due on services result primarily from customer services provided for water sales. Historically, the Association has not incurred any significant credit related losses.

The Association maintains its cash balances, money market accounts and certificates of deposits in three financial institutions. From time to time, the Association has balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. As of April 30, 2025, and 2024, the Association's uninsured cash balances totaled \$158,945 and \$251,336, respectively.

The Association also maintains a certificate of deposit in a federal credit union. The Association has balances in excess of the National Credit Union Administration (NCUA) limit of \$250,000. As of April 30, 2025, and 2024, the Associations uninsured cash balance totaled \$16,642 and \$0, respectively.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Principles – Continued

o. Income Taxes

The Association is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. Accordingly, these financial statements include no provision or liability for income taxes. The Association files its Form 990 annually with the Internal Revenue Service.

p. Recently Adopted Accounting Guidance

In June 2016, the FASB issued guidance Accounting Standard Codification (ASC) 326, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Association adopted the standard effective May 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

q. Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on previously reported change in net assets, total assets, or net assets.

Note 2: Liquidity and Availability of Financial Assets

The following reflects the Association's financial assets as of the date of Statements of Financial Position, reduced by amounts not available for general use because of maturities due in more than one year or contractual restrictions within one year of the date of Statements of Financial Position. There are no assets restricted due to donor restrictions. Amounts not available include amounts set aside for meter deposits, short lived asset reserve and debt service reserve.

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end	\$ 1,613,588	\$ 1,638,038
Less those unavailable for general expenditures because of maturities in more than one year:		
Certificates of deposits - long-term	(201,069)	(508,315)
Interest receivable on long-term certificates of deposits	(5,489)	(13,998)
Less those unavailable for general expenditures because of contractual restrictions:		
Meter deposits	(209,626)	(187,467)
Debt service reserve	<u>(465,572)</u>	<u>(465,572)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>731,832</u>	\$ <u>462,686</u>

The Association is supported through income from water sales and related fees, along with revenue from internet subscribers. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as is general expenditures, liabilities, and other obligations come due. In addition, the Association invests its excess cash in certificates of deposits with local financial institutions.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 3: Investment

As part of the refinancing and acquisition of a CoBank, ACB note during the year ended April 30, 2016, the Association made an initial equity investment in CoBank, ACB.

During the year ended April 30, 2025, the Association received a patronage dividend in the amount of \$39,445, of which \$12,005 was a qualified equity allocation and has been added to the cost basis in the investment, the remaining \$27,440 was paid out as a cash dividend.

During the year ended April 30, 2024, the Association received a patronage dividend in the amount of \$41,532, of which \$14,446 was a qualified equity allocation and has been added to the cost basis in the investment, the remaining \$27,086 was paid out as a cash dividend.

The investment is measured at fair value using the net asset value (NAV) per share as a practical expedient, in accordance with the guidance provided in FASB ASC 820-10 and therefore, it is not classified within the fair value hierarchy. The carrying value of the investment as of April 30, 2025, and 2024, amounted to \$143,643 and \$131,638, respectively.

Note 4: Fixed Assets

The following is a summary of property, plant and equipment - less accumulated depreciation as of April 30, 2025:

	April 30, 2025 Asset Cost	Accumulated Depreciation	Net	April 30, 2025 Depreciation
Land	\$ 140,589	\$ -	\$ 140,589	\$ -
Office equipment	48,750	42,504	6,246	2,470
Office building	247,597	157,351	90,246	11,997
Shop equipment	364,294	314,733	49,561	42,693
Vehicles	277,508	208,361	69,147	23,386
Distribution system	2,596,247	922,724	1,673,523	127,398
Treatment plants	17,581,457	11,801,734	5,779,723	355,343
Wireless internet network	378,649	110,970	267,679	25,818
Totals	<u>\$ 21,635,091</u>	<u>\$ 13,558,377</u>	<u>\$ 8,076,714</u>	<u>\$ 589,105</u>

The following is a summary of property, plant and equipment - less accumulated depreciation as of April 30, 2024:

	April 30, 2024 Asset Cost	Accumulated Depreciation	Net	April 30, 2024 Depreciation
Land	\$ 140,589	\$ -	\$ 140,589	\$ -
Office equipment	60,962	52,247	8,715	4,768
Office building	253,020	150,777	102,243	12,239
Shop equipment	419,230	338,237	80,993	39,461
Vehicles	277,508	184,975	92,533	24,395
Distribution system	2,529,273	795,325	1,733,948	129,131
Treatment plants	17,471,177	11,637,885	5,833,292	365,077
Wireless internet network	376,517	85,151	291,366	25,783
Totals	<u>\$ 21,528,276</u>	<u>\$ 13,244,597</u>	<u>\$ 8,283,679</u>	<u>\$ 600,854</u>

During the year ended April 30, 2024, there was \$7,713 included in construction in process.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 4: Fixed Assets – Continued

Changes in fixed assets during the year ended April 30, 2025:

	April 30, 2024			April 30, 2025
	Balance	Additions	Dispositions	Balance
Land	\$ 140,589	\$ -	\$ -	\$ 140,589
Office equipment	60,962	-	(12,212)	48,750
Office building	253,020	-	(5,423)	247,597
Shop equipment	419,230	11,260	(66,196)	364,294
Vehicles	277,508	-	-	277,508
Distribution system	2,529,273	66,974	-	2,596,247
Treatment plants	17,471,177	329,239	(218,959)	17,581,457
Wireless internet network	376,517	2,132	-	378,649
Totals	<u>\$ 21,528,276</u>	<u>\$ 409,605</u>	<u>\$ (302,790)</u>	<u>\$ 21,635,091</u>

Construction in process of \$7,713 as of April 30, 2024 was completed in 2025, and included as a fixed asset addition in the above schedule.

Changes in fixed assets during the year ended April 30, 2024:

	April 30, 2023			April 30, 2024
	Balance	Additions	Dispositions	Balance
Land	\$ 58,089	\$ 82,500	\$ -	\$ 140,589
Office equipment	58,720	2,242	-	60,962
Office building	253,020	-	-	253,020
Shop equipment	379,516	39,714	-	419,230
Vehicles	210,541	99,430	(32,463)	277,508
Distribution system	2,453,860	75,413	-	2,529,273
Treatment plants	17,395,925	75,252	-	17,471,177
Wireless internet network	378,687	-	(2,170)	376,517
Totals	<u>\$ 21,188,358</u>	<u>\$ 374,551</u>	<u>\$ (34,633)</u>	<u>\$ 21,528,276</u>

Note 5: Restricted Certificates of Deposit

As stated in Note 1 above, meter deposits are also restricted as these deposits are refundable.

The Association must fund a debt service reserve and a short-lived asset reserve as a condition of their loan commitments with Rural Development. These reserves are to be funded from operations. In order for the debt service reserve to be used, the Association must obtain the approval of Rural Development. The Association does not have to have approval from Rural Development in order to use short-lived asset reserve funds; however, if these funds are used the Association is required to disclose to Rural Development how the funds were utilized.

The debt service reserve is to be funded at the rate of \$413.10 per month until the reserve has accumulated the required balance of \$49,572. As a condition of the new loan and grant agreement, the Association is also required to fund a short-lived asset reserve at the rate of \$10,348 per month. This reserve is to be funded, less eligible capital expenditures, until the loan is paid in full in December of 2047. The Association appropriately funded the reserve during the audit periods ending April 30, 2025, and 2024. As part of the loan agreement, the Association withdrew funds from the reserve to pay for eligible capital expenditures amounting to \$124,176 each year; therefore, there is not a balance in the short-lived asset reserve at April 30, 2025, and 2024. However, the Association will continue to fund the reserve monthly.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 5: Restricted Certificates of Deposit – Continued

Additionally, the CoBank, ACB Credit Agreement requires that various reserve deposits for outstanding notes. The total required debt service reserved equaled \$416,000 for the years ended April 30, 2025, and 2024, respectively.

Required reserves at April 30:

	<u>2025</u>	<u>2024</u>
Meter deposits	\$ 209,626	\$ 187,467
Debt service reserve	465,572	465,572
	<u>\$ 675,198</u>	<u>\$ 653,039</u>

Note 6: Retirement Plan

The Association maintains a SIMPLE IRA retirement plan for full-time employees. The Association matches up to three percent of each participating, eligible employee's salary each year. Contributions for the years ended April 30, 2025, and 2024, amount to \$19,447 and \$18,444, respectively.

Note 7: Long-Term Debt

Following is a summary of long-term debt at April 30:

	<u>2025</u>	<u>2024</u>
3.75% note payable to RD; payable in monthly installments of \$4,131 through January 2048; the note is secured by the water wells and distribution system.	\$ 756,794	\$ 777,559
4.00% note payable to CoBank, ACB; payable in monthly installments of \$3,575 through September 2027; the note is secured through security agreement	98,470	136,480
4.55% note payable to CoBank, ACB; payable in monthly installments of \$7,737 through September 2037; the note is secured through security agreement	875,414	926,502
4.65% note payable to CoBank, ACB; payable in monthly installments of \$2,839 through August 2039; the note is secured through security agreement	355,571	372,415
4.65% note payable to CoBank, ACB; payable in monthly installments of \$22,025 through August 2039; the note is secured through security agreement	2,757,951	2,888,597
1.95% note payable to Mississippi State Department of Health; payable in monthly installments of \$4,147 through June 2038; the note is secured by 500,000 gallon elevated tank placed in service June 2018.	<u>574,261</u>	<u>615,570</u>
Total notes payable	5,418,461	5,717,123
Less current portion	<u>(311,194)</u>	<u>(298,660)</u>
Total long-term notes payable	<u>\$ 5,107,267</u>	<u>\$ 5,418,463</u>

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 7: Long-Term Debt – Continued

Maturities for each of the next five years and thereafter are as follows:

2026	\$	311,194
2027		324,367
2028		312,627
2029		307,757
2030		320,938
Thereafter		3,841,578
	\$	<u>5,418,461</u>

The Association entered into a revolving line of credit with CoBank, ACB in the principal amount not to exceed \$500,000 in order to provide matching funds during the wireless internet network project. Monthly interest payments were required with the principal due at maturity. The line of credit matured on November 20, 2024, and it was not renewed.

The Association's long-term debt arrangement with CoBank, ACB require the Association to satisfy debt covenants including various financial ratios such as the debt service coverage ratio. As of April 30, 2025, and 2024, the Association was in compliance with all debt covenants.

Note 8: Performance Obligations

The following is a summary and description of performance obligations in contracts and agreements customers:

Water sales: With respect to the water sales, revenue is recognized at a point in time, when the meters are read each month. The reading of meters represents the transfer of goods in an amount that reflects the consideration expected in exchange for the goods. Bills are generated monthly and, payment is due within 14 days once a bill is issued to a customer.

Meter charges and fees: With respect to the meter charges and fees, revenue is recognized at a point in time, when the services are provided. The agreements call for payment once the meter repair or installation is completed based on an agreed-upon amount.

Penalties: With respect to the penalties, revenue is recognized at a point in time, when the water sale payment has been deemed late and penalty incurred by the member. The agreements call for set fees if a member is late in paying the monthly bill generated for water sales.

Membership fees: With respect to the membership fees, revenue is recognized at a point in time, when a new customer joins the Association. These fees are one-time charges to join the Association and are non-refundable. The membership agreements call for payment prior to joining the association and is based on an agreed-upon amount.

Internet service income: With respect to the internet service income, revenue is recognized at a point in time, when a new subscriber signs up for services. Subscribers pay an initial installation fee and then monthly subscriptions for wireless internet services. All plans are pay-as-you-go by the month, with no obligation to renew.

Note 9: Commitments and Contingent Liabilities

The Association is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Association.

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Notes to Financial Statements

Note 10: Functional Expenses Allocation

The Association has two programs, providing water and wireless internet services for customers in the North Central portion of Lauderdale County, Mississippi. Expenses have been allocated between program services and management and general related expenses. Management has determined that management and general expenses consist of office salaries and the related payroll taxes and employee benefits, professional fees, directors' fees, dues and subscriptions, bank charges, and 25% of office expense. All other expenses are directly related to the production of providing water and wireless internet to residents.

Note 11: Grants

In June 2024, the Association was approved to receive a grant in the amount of \$2,000,000 under the American Rescue Plan Act of 2021 (ARPA), administered through Mississippi State Department of Health (MSDH). This grant was awarded through the Rural Water Association Improvement Grant program to support infrastructure improvements and ensure reliable access to clean water.

The grant is expected to fund projects including replacement of a water tower and improvements to water lines. The grant is structured as a reimbursement-based award, and revenue is recognized as eligible expenditures are incurred in accordance with U.S. GAAP. The Association has signed agreements with an engineer and a state contractor and submitted those contracts to MSDH. As of April 30, 2025, no funds have been received, and no qualifying expenditures have been incurred. Because the grant is conditional upon incurring allowable costs, no revenue has been recognized in the accompanying financial statements. Revenue will be recognized in future periods as qualifying expenditures are incurred and reimbursed in accordance with the grant agreement.

The Association received grant funds from another source in the amount of \$1,291 during the year ended April 30, 2024.

Note 12: Economic Dependence

The Association sells water and wireless internet services to the residents in the North Central portion of Lauderdale County, Mississippi. The Association is dependent on the economy of Lauderdale County.

Note 13: Related Party Transactions

The Association engaged its Board President to provide strategic consulting through his wholly owned business, Empirical Energy. The Association paid total fees of \$70,671 and \$65,830 for the year ended April 30, 2025 and 2024, respectively, for these services. The engagement was reviewed and approved in advance by the disinterested members of the Board of Directors in accordance with the Association's written conflict-of-interest policy. Management has evaluated the arrangement and concluded that the terms of the engagement were at arm's length and consistent with those available in the open market.

No other related-party transactions occurred during the year that require disclosure under U.S. generally accepted accounting principles.

Note 14: Subsequent Events

Events that occur after the Statements of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statements of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statements of Financial Position date require disclosure in the accompanying notes. Management of North Lauderdale Water Association, Inc. evaluated the activity of the Association through June 25, 2025, the date the financial statements were available to be issued, and determined that there were no subsequent events that should be disclosed in the financial statements.

**OTHER
INFORMATION**

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Schedule of Interest-Bearing Deposits
April 30, 2025

	<u>Dated</u>	<u>Due</u>	<u>Interest</u>	<u>Principal Amount</u>
Certificates of Deposit:				
Commercial Bank	3/26/2025	9/26/2025	4.35%	\$ 268,881
The Citizens Bank	10/25/2024	6/25/2025	4.04%	255,092
Morgan Stanley	2/18/2025	2/19/2027	4.30%	100,000
Morgan Stanley	8/14/2024	8/21/2026	4.00%	150,000
Wells Fargo	8/15/2024	8/21/2026	5.05%	150,000
Meridian Mutual	3/28/2025	3/27/2026	4.50%	<u>266,642</u>
Total Certificates of Deposit				<u>1,190,615</u>
Money Market Accounts:				
Commercial Bank			0.65%	49,200
Edward Jones			1.00%	<u>31,963</u>
Total Money Market Accounts				<u>81,163</u>
Savings Accounts:				
Capital One			3.70%	<u>185,088</u>
Total Savings Accounts				<u>185,088</u>
Total Interest Bearing Deposits				<u>\$ 1,456,866</u>

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Schedule of Insurance and Bonds in Force
April 30, 2025

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Annual Premium</u>
The Policy Center	Real and Business Property	\$10,132,200	\$ 43,665
	General Liability-Aggregate	\$3,000,000	
	Excess Liability-Aggregate	\$3,000,000	
	Business Auto	\$1,000,000	
	Public Officials	\$1,000,000	
	Fidelity	\$1,000,000	
Insurance Center of Meridian	Workers Compensation		\$ 12,754
	Bodily Injury by Accident	\$1,000,000	
	Bodily Injury by Disease	\$1,000,000	
	Policy Limit	\$1,000,000	

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Schedule of Water Rates
April 30, 2025

Water rates from May 1, 2024 to December 31, 2024:

Water rates are based on the size of meter. Following is a summary of the rate schedule:

20-gpm service (5/8" meter)	\$25.00 for first 2,000 gallons
30-gpm service (3/4" meter)	\$33.50 for first 3,000 gallons
50-gpm service (1" meter)	\$50.50 for first 5,000 gallons
100-gpm service (1.5" meter)	\$93.00 for first 10,000 gallons
160-gpm service (2" meter)	\$144.00 for first 16,000 gallons

Each 1,000-gallon block beyond minimum \$8.50

Water rates from January 1, 2025 to April 30, 2025:

Water rates are based on the size of meter. Following is a summary of the rate schedule:

20-gpm service (5/8" meter)	\$25.50 for first 2,000 gallons
30-gpm service (3/4" meter)	\$34.50 for first 3,000 gallons
50-gpm service (1" meter)	\$52.50 for first 5,000 gallons
100-gpm service (1.5" meter)	\$97.50 for first 10,000 gallons
160-gpm service (2" meter)	\$153.00 for first 16,000 gallons

Each 1,000-gallon block beyond minimum \$9.00

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Schedule of Cash Reserves
April 30, 2025

Debt Service Reserve:

Rural Development required reserve – fully funded	\$ 49,572
CoBank required reserve – fully funded	<u>416,000</u>
Total required debt service reserves	<u>\$ 465,572</u>

Short-Lived Asset Replacement Reserve:

Balance – May 1, 2024	\$ -
Total required monthly deposits (\$10,348 x 12)	124,176
Short-lived asset replacement used	<u>(124,176)</u>
Balance – April 30, 2025	<u>\$ -</u>

NORTH LAUDERDALE WATER ASSOCIATION, INC.
Schedule of Board of Directors
April 30, 2025

Name	Position	Address	Term Expires	Federal Compensation
Todd Kiefer	President	420 Eagle Drive Meridian, MS 39305	7/2025	\$70,671
Paul Goldman	Vice President	460 Augusta Drive Meridian, MS 39305	7/2026	\$1,000
John Lamberth	Secretary/Treasurer	3575 Wilson Road Bailey, MS 39320	7/2025	\$1,600
Zena Limerick	Director	5110 West Mt. Carmel Road Bailey, MS 39320	7/2026	\$1,700
Lance Price	Director	8396 Hidden Creek Dr. Meridian, MS 39305	7/2027	\$1,500

SPECIAL REPORTS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagg, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA
Bradley L. Harrison, CPA
Justin H. Keller, CPA
Dana R. Estes, CPA
April W. Posey, CPA
Lauren M. Bowen, CPA

**INDEPENDENT AUDITORS' 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
North Lauderdale Water Association, Inc.
Bailey, Mississippi

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 North Lauderdale Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2025, 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 June 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Lauderdale Water Association, Inc.'s (Association) 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 the Association'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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Lauderdale Water Association, Inc.'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*.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meridian, Mississippi
June 25, 2025

Watkins Ward and Stafford, PLLC