

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211

FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

with

INDEPENDENT AUDITOR'S REPORT

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Runyan Sanitary Sewer Improvement District No. 211

Opinion

I have audited the accompanying financial statements of Runyan Sanitary Sewer Improvement District No. 211 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Runyan Sanitary Sewer Improvement District No. 211 as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Runyan Sanitary Sewer Improvement District No. 211 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 Runyan Sanitary Sewer Improvement District No. 211'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

My 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 my 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 judgement 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*, I:

- Exercise professional judgement 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 Runyan Sanitary Sewer Improvement District No. 211'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Runyan Sanitary Sewer Improvement District No. 211'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.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2022, on my consideration of Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting on or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting and compliance.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
April 27, 2022

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,040,739
Accounts receivable	<u>64,061</u>
Total current assets	<u>1,104,800</u>

NON-CURRENT ASSETS

Cash and cash equivalents - restricted	<u>207,115</u>
Total non-current assets	<u>207,115</u>

PROPERTY & EQUIPMENT

Sewer plant and equipment	6,461,229
Construction in progress	785,615
Less: accumulated depreciation	<u>(2,874,323)</u>
Total property & equipment	<u>4,372,521</u>

Total assets	<u>\$ 5,684,436</u>
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LIABILITIES & FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 4,932
Accrued interest payable	2,154
Current maturities of long-term debt	<u>140,994</u>
Total current liabilities	<u>148,080</u>

NONCURRENT LIABILITIES

Bonds payable	3,781,429
Less: current maturities	<u>(140,994)</u>
Total noncurrent liabilities	<u>3,640,435</u>
Total liabilities	<u>3,788,515</u>

FUND BALANCE

Net investment in capital assets	591,092
With restrictions	207,115
Without restrictions	<u>1,097,714</u>
Total fund balance	<u>1,895,921</u>

Total liabilities & fund balance	<u>\$ 5,684,436</u>
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RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF ACTIVITIES
December 31, 2021

UTILITY REVENUE	\$ 812,207
OPERATING EXPENSES	
Depreciation and amortization	112,684
Repairs and maintenance	19,990
Management fees	176,302
Revenue collection fees	28,247
Utilities and telephone	43,809
Licenses and permits	9,388
Legal and professional	27,200
Supplies	1,183
Other expense	16,301
Total operating expenses	<u>435,104</u>
OPERATING INCOME	377,103
OTHER INCOME/EXPENSE	
Interest and dividend income	88
Interest expense	(66,695)
Fraud restitution	<u>669,600</u>
	<u>602,993</u>
NET PROFIT	980,096
FUND BALANCE, BEGINNING OF YEAR	<u>915,825</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,895,921</u>

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF CASH FLOWS
December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net profit	\$ 980,096
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**ADJUSTMENTS TO RECONCILE NET INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and amortization	112,684
Increase in:	
Accounts receivable	(1,146)
Increase (decrease) in:	
Accounts payable	192
Other accrued liabilities	1,390
Total adjustments	<u>113,120</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,093,216</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(2,500,000)
Construction in progress	1,200,027
Change in restricted cash and cash equivalents	<u>(60,064)</u>

NET CASH USED BY INVESTING ACTIVITIES	<u>(1,360,037)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	1,062,055
Principal payments on loans	<u>(67,889)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>994,166</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	727,345
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Cash and cash equivalents, beginning of year	<u>313,394</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,040,739</u></u>

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest	<u><u>\$ 65,305</u></u>
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RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Runyan Sanitary Sewer Improvement District No. 211 (the District), a political subdivision of Pulaski County, Arkansas, provides sewer service to the Runyan Acres, Arbor Oaks, Cardinal Valley, Stone, Oak Shadows, Bent Tree, Village East and Pleasant Valley subdivisions, all existing west of Gravel Ridge, Arkansas.

Basis of Accounting

The District's accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net assets. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Cash and Cash Equivalents

The District considers all highly liquid investments, with a maturity of 90 days or less when purchased, to be cash equivalents. As required by law, all funds are deposited in approved banks. The deposited funds are insured by Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the District's name. As of December 31, 2021, deposited funds were adequately insured and collateralized.

Property and Equipment

Acquisitions of property, plant and equipment are recorded at cost. Depreciation is provided in these financial statements using the straight-line method over the lives of the assets, which is generally seven to twenty-five years. Expenditures for maintenance and repairs are charged against income as incurred. Depreciation expense was \$112,684 for the year ended December 31, 2021.

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 of assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following components:

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted”.

With Restrictions – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for sewer service sales and other ancillary services, such as connection fees. Accounts receivable are written off when the possibility of collection is unlikely. No allowance is made on the financial statements for potential future bad debts since the District considers them immaterial.

NOTE 3: CONSTRUCTION IN PROGRESS

Beginning in 2020, the District has spent \$785,615 on Schedule 2 Treatment Plant Improvements, including work related to the levys, post aeration chamber and the culvert bridge. These amounts have been capitalized to construction in progress.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2021 are as follows:

	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
Sewer System	\$3,961,229	\$2,500,000		\$6,461,229
Construction in progress	1,985,642	-1,200,027		785,615
	<u>\$5,946,871</u>	<u>\$1,299,973</u>	<u>-</u>	<u>\$7,246,844</u>
Less: accumulated Depreciation	<u>2,761,639</u>			<u>2,874,323</u>
Total capital assets	<u>\$3,185,232</u>			<u>\$4,372,521</u>

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5: BONDS PAYABLE

	<u>Total Debt</u>	<u>Current Maturities</u>
5.3% Arkansas Soil and Water Conservation bond issue dated July 22, 2002 in the amount of \$1,071,320, payable in semi-annual installments of principal and interest, secured by system revenues	\$495,814	\$62,100
1.75% Arkansas Natural Resources Commission bond issue dated July 22, 2021 in the amount of \$2,500,000, when fully disbursed, payable in monthly installments of principal and interest, secured by system revenues	2,500,000	78,894
1.75% Arkansas Natural Resources Commission bond issue dated July 22, 2021 in the amount of \$802,052 when fully disbursed, payable in monthly installments of principal and interest, secured by system revenues	785,615	-

Maturities of bonds payable in the years subsequent to December 31, 2021 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$140,994	\$50,332	\$191,326
2023	180,774	59,965	240,739
2024	186,031	54,708	240,739
2025	191,474	49,265	240,739
2026	197,113	43,626	240,739
2027-2042	2,885,043	280,685	3,165,728
	<u>\$3,781,429</u>	<u>\$538,581</u>	<u>\$4,320,010</u>

Bond liability for the year ended December 31, 2021 is as follows:

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Bonds Payable	<u>\$2,787,263</u>	<u>\$1,062,055</u>	<u>(\$67,889)</u>	<u>\$3,781,429</u>	<u>\$140,994</u>

The bonds have restrictive covenants, including the requirement to accumulate a debt service reserve in the amount of \$40,000 and to begin accumulating a depreciation reserve in annual installments of 1% of the gross revenues of the District for the 2002 bond issue and 3% of the gross revenues of the District for the 2021 bond issue in monthly installments to be accumulated to \$250,000. This fund is for the replacement or repair of the system and may not be used without the prior written consent of the Commission. When funds are withdrawn, the monthly deposits will resume until the depreciation fund again reaches the required level.

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5: BONDS PAYABLE (CONTINUED)

The District has pledged future revenues, net of specified operating expenses to repay \$3,781,429 in bond debt. Proceeds from the loans were used for building and improving the District's sewer systems. Principal and interest on the bonds are payable through April 2042, solely from customer net revenues. Principal and interest paid in the year ended December 31, 2021 were \$67,889 and \$66,695, respectively.

NOTE 6: RESTRICTED ASSETS

Restricted assets consist of debt service reserves and bond funds held at Regions Bank and Arvest Bank. The following is a list of the restricted cash at December 31, 2021:

Debt service reserves	\$190,148
Bond funds	<u>16,967</u>
Total restricted assets	<u><u>\$207,115</u></u>

NOTE 7: FRAUD RESTITUTION

In December, 2021, the District received restitution for fraud occurring during 2012 through 2017. The receipt of restitution was in the amount of the fraud, \$669,600, and was unpredictable. Due to this being made possible, the District then filed a civil suit against the individual charged in the fraud, to recover attorney's fees, costs, accounting fees and interest totaling \$220,000, which was settled and paid to the District in February, 2022.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2022, the date which the financial statements were available for issue.

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

To the Board of Directors of
Runyan Sanitary Sewer Improvement District No. 211

I 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 Runyan Sanitary Sewer Improvement District No. 211 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated April 27, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Runyan Sanitary Sewer Improvement District No. 211's internal control.

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

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Runyan Sanitary Sewer Improvement District No. 211's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
April 27, 2022

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Runyan Sanitary Sewer Improvement District No. 211:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Runyan Sanitary Sewer Improvement District No. 211's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Runyan Sanitary Sewer Improvement District No. 211's major federal programs for the year ended December 31, 2021. Runyan Sanitary Sewer Improvement District No. 211's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In my opinion, Runyan Sanitary Sewer Improvement District No. 211 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Basis for Opinion on Each Major Federal Program

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

I am required to be independent of Runyan Sanitary Sewer Improvement District No. 211 and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Runyan Sanitary Sewer Improvement District No. 211's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Runyan Sanitary Sewer Improvement District No. 211's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Runyan Sanitary Sewer Improvement District No. 211's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Runyan Sanitary Sewer Improvement District No. 211's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Runyan Sanitary Sewer Improvement District No. 211's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Runyan Sanitary Sewer Improvement District No. 211's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Runyan Sanitary Sewer Improvement District No. 211's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of my auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. My opinion is not modified with respect to these matters.

Report on Internal control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Lisa Stephens". The signature is written in a cursive, flowing style.

Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
April 27, 2022

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

Program – EPA – Clean Water State Revolving Funds Cluster

Capitalization Grant for Clean Water State Revolving Funds	66.458	\$ 1,146,904
		<u>\$ 1,146,904</u>

(1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of Runyan Sanitary Sewer Improvement District No. 211 (the District) under programs of the federal government for the year ended December 31, 2021 and is presented on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net assets of the District. For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the District, agencies and departments of the federal government, and all subawards to the District by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards all fall under one major program category in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The category is as follows:

Clean Water State Revolving Funds – Objectives are to hasten wastewater treatment facility construction in order to meet the enforceable requirements of the Clean Water Act: (1) Emphasize nonpoint source pollution control and the protection of estuaries, and (2) Facilitate the establishment of permanent institutions in each State that would provide continuing sources of financing needed to maintain water quality.

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021**

Section I - Summary of Auditors' Results

Financial Statements

1. The type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP.

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditors' report on internal control over financial reporting disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed by the audit?

☐ Yes ☒ No

Federal Awards

4. The independent auditors' report on internal control over compliance for a major federal awards program disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditors' report on compliance for the major federal award programs was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)

☐ Yes ☒ No

7. The program tested as a major program was:

EPA – Clean Water State Revolving Funds Cluster
Capitalization Grant for Clean Water State Revolving Funds CFDA 66.458

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
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8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. Runyan Sanitary Sewer Improvement District No. 211 qualified as a low-risk auditee?

☒ Yes ☐ No

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings

None.

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021**

None.