

# **Community Water System**

## **Public Water Authority of the State of Arkansas**

### **Independent Auditor's Reports and Financial Statements**

**December 31, 2022 and 2021**



**Community Water System  
Public Water Authority of the State of Arkansas  
December 31, 2022 and 2021**

**Contents**

<b>Independent Auditor’s Report</b> .....	<b>1</b>
<b>Management’s Discussion and Analysis</b> .....	<b>4</b>
<b>Financial Statements</b>	
Balance Sheets .....	10
Statements of Revenues, Expenses and Changes in Net Position .....	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	14
<b>Supplementary and Other Information</b>	
Schedule of Functional Expenses .....	30
Schedules of Water Sales (Unaudited) .....	31
Schedules of Insurance Coverage (Unaudited).....	32
Board of Directors (Unaudited).....	33
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report</b> .....	<b>34</b>



111 Center Street, Suite 1600 / Little Rock, AR 72201

P 501.372.1040 / F 501.372.1250

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Directors  
Community Water System  
Public Water Authority of the State of Arkansas  
Greers Ferry, Arkansas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Community Water System Public Water Authority of the State of Arkansas (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022 and 2021, and the changes in financial position 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, 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 the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS 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 the Authority'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 the Authority'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information. The other information comprises the schedules of water sales, the schedules of insurance coverage and the list of board of directors but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 the Authority's internal control over financial reporting and compliance.

**FORVIS,LLP**

Little Rock, Arkansas  
March 14, 2023

# **Community Water System**

## **Public Water Authority of the State of Arkansas**

### **Management's Discussion and Analysis (Unaudited)**

### **Years Ended December 31, 2022 and 2021**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Community Water System Public Water Authority of the State of Arkansas (the Authority) provides an overview of the Authority's financial activities for the years ended December 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Authority.

#### ***Financial Highlights***

- Operating (unrestricted) cash and cash equivalents increased in 2022 by \$15,081, or 1%, and increased in 2021 by \$270,421, or 26%.
- Restricted assets decreased in 2022 by \$3,008,848, or 41%, and increased in 2021 by \$3,322,880, or 82%. The change is due to the issuance of bonds in 2021 that was used to fund capital projects in 2022.
- Net position decreased in 2022 by \$64,097 and decreased in 2021 by \$379,259, or 2%.
- The Authority reported operating income of \$727,620 and \$934,300 in 2022 and 2021, respectively.

#### ***Using This Annual Report***

The Authority's financial statements consist of three statements – balance sheets, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors or grantors. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The balance sheets and the statements of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, any deferred outflows of resources, all liabilities and any deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Years Ended December 31, 2022 and 2021**

These two statements report the Authority's net position and changes in it. The Authority's total net position—the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's meter base, measures of the quantity and quality of services provided to its customers and local economic factors also should be considered to assess the overall financial health of the Authority.

***The Statements of Cash Flows***

The statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities (when applicable). It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

***The Authority's Net Position***

Net position is the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any, reported in the balance sheets. The Authority's net position, shown in *Table 1*, decreased in 2022 by \$64,097 and decreased in 2021 by \$379,259, or 2%.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Management’s Discussion and Analysis (Unaudited) (Continued)**  
**Years Ended December 31, 2022 and 2021**

**Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position**

	2022	2021	2020
<b>Assets</b>			
Cash and cash equivalents	\$ 1,325,184	\$ 1,310,103	\$ 1,039,682
Restricted cash and cash equivalents – current	1,766,969	1,535,437	1,210,680
Certificates of deposit	610,664	606,389	602,134
Investments	223,143	192,325	131,913
Accounts receivable	998,990	883,794	881,282
Other current assets	624,039	584,324	578,601
Lease assets, net	23,727	33,218	-
Capital assets, net	46,651,795	44,993,404	46,166,497
Other noncurrent assets – restricted	2,580,716	5,821,096	2,822,973
<b>Total assets</b>	<b>54,805,227</b>	<b>55,960,090</b>	<b>53,433,762</b>
<b>Deferred Outflows of Resources</b>			
	426,132	459,516	112,767
<b>Total assets and deferred outflows of resources</b>	<b>\$ 55,231,359</b>	<b>\$ 56,419,606</b>	<b>\$ 53,546,529</b>
<b>Liabilities</b>			
Current liabilities	\$ 2,127,867	\$ 1,754,618	\$ 1,485,128
Long-term debt	37,780,524	39,269,905	36,272,839
Other liabilities – noncurrent	134,365	142,383	156,603
<b>Total liabilities</b>	<b>40,042,756</b>	<b>41,166,906</b>	<b>37,914,570</b>
<b>Net Position</b>			
Net invested in capital assets	10,281,952	10,222,017	10,469,219
Restricted	573,258	1,120,687	2,260,979
Unrestricted	4,333,393	3,909,996	2,901,761
<b>Total net position</b>	<b>15,188,603</b>	<b>15,252,700</b>	<b>15,631,959</b>
<b>Total liabilities and net position</b>	<b>\$ 55,231,359</b>	<b>\$ 56,419,606</b>	<b>\$ 53,546,529</b>

During 2022, there was an increase in unrestricted cash and cash equivalents of \$15,081, or 1%, primarily due to the Authority using less cash during the current year to fund operations. Unrestricted cash and cash equivalents increased in 2021 by \$270,421, or 26%, primarily due to the Authority using less cash during the year to fund operations. There was a decrease in restricted assets in 2022 of \$3,008,848, or 41%, compared to an increase in 2021 of \$3,322,880, or 82%, primarily due to the issuance of bonds in 2021 that were used to fund capital projects in 2022 and in future years.



**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Years Ended December 31, 2022 and 2021**

Capital assets, net of accumulated depreciation, increased \$1,658,391 after depreciation expense of \$1,936,631 during 2022. During 2021, capital assets, net of accumulated depreciation, decreased \$1,139,875 after depreciation expense of \$1,882,621 during 2021.

**Table 2: Operating Results and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>			
Net water sales	\$ 7,807,328	\$ 7,423,242	\$ 7,214,712
Other operating revenues	404,583	406,064	280,557
Total operating revenues	<u>8,211,911</u>	<u>7,829,306</u>	<u>7,495,269</u>
<b>Operating Expenses</b>			
Production expense	2,487,240	2,263,704	1,991,606
Transmission and distribution expense	2,524,112	2,245,427	1,954,300
General and administrative expense	708,831	674,634	908,828
Faulkner/Cleburne Counties distribution expense	1,764,108	1,711,241	1,445,953
Total operating expenses	<u>7,484,291</u>	<u>6,895,006</u>	<u>6,300,687</u>
<b>Operating Income</b>	<u>727,620</u>	<u>934,300</u>	<u>1,194,582</u>
<b>Nonoperating Revenues (Expenses)</b>			
Gain on disposal of capital assets	-	-	5,852
Investment income	78,341	79,396	85,391
Other income	174,485	139,267	154,453
Bond issuance costs	-	(388,921)	-
Interest expense	<u>(1,044,543)</u>	<u>(1,143,301)</u>	<u>(1,387,953)</u>
Net nonoperating expenses	<u>(791,717)</u>	<u>(1,313,559)</u>	<u>(1,142,257)</u>
<b>Income (Loss) Before Capital Contributions</b>	(64,097)	(379,259)	52,325
<b>Capital Contributions</b>	<u>-</u>	<u>-</u>	<u>236,405</u>
<b>Change in Net Position</b>	<u>\$ (64,097)</u>	<u>\$ (379,259)</u>	<u>\$ 288,730</u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Years Ended December 31, 2022 and 2021**

***Operating Income***

In 2022, the Authority's operating income decreased by \$206,680 compared to 2021, as shown in *Table 2*. The decrease was driven primarily by an increase of production, transmission and distribution expenses in 2022 compared to 2021.

In 2021, the Authority's operating income decreased by \$260,282 compared to 2020, as shown in *Table 2*. The decrease was driven primarily by an increase of approximately \$230,000 in utilities in 2021 compared to 2020.

***Nonoperating Revenues and Expenses***

The Authority also has investment income and interest expense, of which investment income decreased by \$1,055 in 2022 compared to 2021 due to a decrease in interest rates. Interest expense decreased by \$98,758 in 2022 compared to 2021 due the decrease in the outstanding bond balance. The bond issuance costs decreased by \$388,921 in 2022 compared to 2021.

Investment income decreased by \$5,995 in 2021 compared to 2020 due to decrease in rates. Interest expense decreased by \$244,652 in 2021 compared to 2020 due to the issuance of the Series 2021 bonds and the advance refunding of the Series 2012A bond. The bond issuance and refunding also resulted in an increase in bond issuance cost of \$388,921 in 2021 compared to 2020. Capital contributions decrease by \$236,405 in 2021 compared to 2020.

***The Authority's Cash Flows***

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses.

***Capital Assets, Lease Assets and Debt Administration***

**Capital and Lease Assets**

At the end of 2022 and 2021, the Authority had \$46,675,522 and \$45,026,622, respectively, invested in capital and lease assets, net of accumulated depreciation and amortization, as detailed in *Note 3* to the financial statements. In 2022, the Authority added \$3,585,531 in system infrastructure. In 2021, the Authority added \$742,746 in new system infrastructure.

**Debt**

At December 31, 2022, the Authority had \$39,277,615 outstanding in revenue bonds and lease liability, which decreased by \$1,089,933, or 3%, compared to 2021.

At the end of 2021, the Authority had \$40,367,548 outstanding in revenue bonds and lease liability, which increased by \$3,223,528, or 9%, compared to 2020. During the 2021, the Authority issued \$29,035,000 of revenue refunding and improvement bonds (Series 2021) to refund the Series 2012A bond and to finance the cost of certain capital improvements as detailed in *Note 4*.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Years Ended December 31, 2022 and 2021**

***Contacting the Authority's Financial Management***

This financial report is designed to provide customers, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority by calling 501.825.7294.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Balance Sheets**  
**December 31, 2022 and 2021**

**Assets and Deferred Outflows of Resources**

	<b>2022</b>	<b>2021 (As Adjusted – Note 8)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,325,184	\$ 1,310,103
Restricted cash and cash equivalents – current	1,766,969	1,535,437
Investments	223,143	192,325
Certificates of deposit	610,664	606,389
Accounts receivable – customers	998,527	883,377
Accounts receivable – other	463	417
Inventory	604,008	566,222
Prepaid expenses	20,031	18,102
	<u>5,548,989</u>	<u>5,112,372</u>
<b>Total current assets</b>		
<b>Noncurrent Assets</b>		
Restricted assets		
Cash and cash equivalents	2,928,123	6,917,471
Investments	1,418,502	438,002
Accrued interest receivable	1,060	1,060
	<u>4,347,685</u>	<u>7,356,533</u>
Less amount required to meet current obligations	1,766,969	1,535,437
	<u>2,580,716</u>	<u>5,821,096</u>
<b>Total restricted assets</b>		
Lease asset, net	23,727	33,218
	<u>23,727</u>	<u>33,218</u>
Capital assets – nondepreciable	4,724,453	1,548,122
Capital assets – depreciable, net	41,927,342	43,445,282
	<u>46,651,795</u>	<u>44,993,404</u>
<b>Total capital assets, net</b>		
<b>Total noncurrent assets</b>		
	<u>49,256,238</u>	<u>50,847,718</u>
<b>Total assets</b>		
	<u>54,805,227</u>	<u>55,960,090</u>
<b>Deferred Outflows of Resources</b>		
Deferred amount on bond refundings	426,132	459,516
	<u>426,132</u>	<u>459,516</u>
<b>Total assets and deferred outflows of resources</b>		
	<u>\$ 55,231,359</u>	<u>\$ 56,419,606</u>

## Liabilities and Net Position

	<b>2022</b>	<b>2021 (As Adjusted – Note 8)</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,486,211	\$ 1,069,860
Current portion of lease liability	8,023	18,485
Accounts payable – trade	201,982	188,500
Accrued expenses	150,893	12,196
Accrued interest payable	280,758	465,577
	<u>2,127,867</u>	<u>1,754,618</u>
<b>Noncurrent Liabilities</b>		
Bonds payable, net	37,780,524	39,269,905
Lease liability	-	9,298
Customer meter deposits	134,365	133,085
	<u>37,914,889</u>	<u>39,412,288</u>
<b>Total liabilities</b>	<u>40,042,756</u>	<u>41,166,906</u>
<b>Net Position</b>		
Net investment in capital assets	10,281,952	10,222,017
Restricted expendable for debt service	573,258	1,120,687
Unrestricted	4,333,393	3,909,996
	<u>15,188,603</u>	<u>15,252,700</u>
<b>Total liabilities and net position</b>	<u><u>\$ 55,231,359</u></u>	<u><u>\$ 56,419,606</u></u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Water sales		
Retail	\$ 3,245,648	\$ 3,096,140
Wholesale	4,561,680	4,327,102
	<u>7,807,328</u>	<u>7,423,242</u>
Service fees	56,910	58,140
Miscellaneous operating revenues	347,673	347,924
	<u>8,211,911</u>	<u>7,829,306</u>
<b>Operating Expenses</b>		
Production expense	2,487,240	2,263,704
Transmission and distribution expense	2,524,112	2,245,427
General and administrative expense	708,831	674,634
Faulkner/Cleburne Counties distribution expense	1,764,108	1,711,241
	<u>7,484,291</u>	<u>6,895,006</u>
<b>Operating Income</b>	<u>727,620</u>	<u>934,300</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	78,341	79,396
Other income	174,485	139,267
Bond issuance costs	-	(388,921)
Interest expense	(1,044,543)	(1,143,301)
	<u>(791,717)</u>	<u>(1,313,559)</u>
<b>Decrease in Net Position</b>	(64,097)	(379,259)
<b>Net Position, Beginning of Year</b>	<u>15,252,700</u>	<u>15,631,959</u>
<b>Net Position, End of Year</b>	<u>\$ 15,188,603</u>	<u>\$ 15,252,700</u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b> <b>(As Adjusted –</b> <b>Note 8)</b>
<b>Operating Activities</b>		
Customer receipts	\$ 7,692,132	\$ 7,420,730
Service fee receipts	56,910	58,140
Other receipts	522,158	483,859
Payments to suppliers and contractors	(2,930,728)	(2,682,300)
Payments to employees	(1,001,760)	(1,003,946)
Other payments	(1,501,428)	(1,378,345)
	<u>2,837,284</u>	<u>2,898,138</u>
Net cash provided by operating activities		
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	(3,585,531)	(742,746)
Bond issuance costs	-	(388,921)
Principal paid on long-term debt	(1,073,030)	(26,159,671)
Principal paid on lease payable	(19,760)	(19,672)
Proceeds from issuance of debt	-	29,064,164
Interest paid on long-term debt	(1,195,978)	(1,072,720)
	<u>(5,874,299)</u>	<u>680,434</u>
Net cash provided by (used in) capital and related financing activities		
<b>Investing Activities</b>		
Sale of investments	49,467	1,745,348
Purchase of investments	(1,029,967)	-
Sale of certificates of deposit	606,389	602,134
Purchase of certificates of deposit	(610,664)	(606,389)
Investment income	47,523	18,984
	<u>(937,252)</u>	<u>1,760,077</u>
Net cash provided by (used in) investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(3,974,267)	5,338,649
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>8,227,574</u>	<u>2,888,925</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,253,307</u>	<u>\$ 8,227,574</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 1,325,184	\$ 1,310,103
Restricted cash and cash equivalents	2,928,123	6,917,471
	<u>\$ 4,253,307</u>	<u>\$ 8,227,574</u>
Total cash and cash equivalents		

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 727,620	\$ 934,300
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	1,936,631	1,882,621
Other income	174,485	135,935
Changes in:		
Accounts receivables	(115,196)	(2,512)
Prepaid expenses	(1,929)	85,146
Inventory	(37,786)	(90,869)
Accounts payable	13,482	(51,159)
Accrued expenses and other liabilities	139,977	4,676
Net cash provided by operating activities	\$ 2,837,284	\$ 2,898,138



**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

Community Water System Public Water Authority of the State of Arkansas (the Authority) is a Public Water Authority authorized and formed under Arkansas Code Ann. 4-35-201 to 217. The purpose of the Authority is to associate its users together for their mutual benefit for the purpose of constructing, maintaining and operating a water system. The system is supported primarily through service revenue and other user fees.

***Basis of Accounting and Presentation***

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital assets – related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

***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, liabilities and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Authority considers all liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

***Accounts Receivable***

Accounts receivable consist of amounts due from customers for water sales and are stated at the amount billed to customers plus any accrued and unpaid late fees. Accounts receivable are ordinarily due on the 15th of the month following the month billed. Accounts that are unpaid after the due date are charged a late fee. Accounts more than 30 days past due are considered delinquent and service is disconnected. Accounts are written off as bad debts based on individual credit evaluation and specific circumstances of the account. No allowance for uncollectible accounts has been recorded as of December 31, 2022 and 2021, because management believes any potential uncollectible accounts are immaterial to the financial statements.

***Inventories***

Inventories consist of materials and supplies used in operations and are stated at the lower of cost or market. Cost is determined using the weighted-average cost.

***Investments and Investment Income***

Investments in money market mutual funds and nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value. Investment income is included as nonoperating revenue in the statements of revenues, expenses and changes in net position.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the Authority:

Supply, treatment and distribution facilities	10–50 years
Equipment	3–10 years
Water storage space	40 years

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Property acquired with grant funds is considered to be owned by the Authority while used in the program for which it was purchased or in future authorized programs. In addition, the federal government has a reversionary interest in the property. The disposition of property purchased, as well as any proceeds therefrom, is subject to federal regulation.

***Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Capital Asset Impairment***

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

***Deferred Outflows of Resources***

The Authority reports the consumption of net position applicable to future periods as deferred outflows of resources in a separate section of its balance sheets.

***Risk Management***

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

***Net Position***

Net position of the Authority is classified into three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

- Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors or others external to the Authority, including amounts deposited with trustees as required by bond indentures.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Classification of Revenues***

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions, such as assessments levied, industrial surcharges, connection fee and other water fees and are reported as operating revenues. Transactions which are capital, financing or investing related are reported as nonoperating revenues.

***Government Grants***

Support funded by grants is recognized as the Authority performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

***Net Position Revision***

The presentation of net position amounts for 2021 have been revised for an immaterial classification error between components. The revision resulted in an increase in net investment in capital assets of \$4,727,601 from \$5,628,312 to \$10,355,913, an increase in restricted expendable for debt service of \$580,603 from \$540,084 to \$1,120,687, and a decrease in unrestricted net position of \$5,308,204 from \$9,084,304 to \$3,776,100. This revision had no impact on total net position.

**Community Water System  
Public Water Authority of the State of Arkansas  
Notes to Financial Statements  
December 31, 2022 and 2021**

***Accounting Pronouncement Adopted***

GASB Statement No. 87 – *Leases*. This statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability while the lessor will recognize a lease receivable and related deferred inflows of resources. This statement is effective for the Authority’s year ended December 31, 2022. Implementation of GASB Statement No. 87 – Leases resulted in a restatement of the financial statements for the year ended December 31, 2021. Details of the restated balances are provided in *Note 8*.

***Future Accounting Standard***

GASB Statement No 96 – *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2022 and 2021, \$2,430,399 and \$2,130,520, respectively, of the Authority’s bank balances of \$2,680,399 and \$2,380,520, respectively, was exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution in other than the Authority’s name	\$ 2,430,399	\$ 2,130,520

**Community Water System  
Public Water Authority of the State of Arkansas  
Notes to Financial Statements  
December 31, 2022 and 2021**

**Investments**

Arkansas statutes authorize the Authority to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940* and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

At December 31, 2022 and 2021, the Authority had the following investments and maturities:

December 31, 2022					
Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. treasury notes	\$ 1,418,502	\$ 471,891	\$ 946,611	\$ -	\$ -
		<u>\$ 471,891</u>	<u>\$ 946,611</u>	<u>\$ -</u>	<u>\$ -</u>
Equities	<u>223,143</u>				
	<u>\$ 1,641,645</u>				
December 31, 2021					
Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. treasury notes	\$ 438,003	\$ 364,547	\$ 73,456	\$ -	\$ -
		<u>\$ 364,547</u>	<u>\$ 73,456</u>	<u>\$ -</u>	<u>\$ -</u>
Equities	<u>192,325</u>				
	<u>\$ 630,328</u>				

Interest Rate Risk – The Authority’s policy does not limit the maturity of a single investment. The average-weighted maturities of the underlying investments in the Authority’s money market mutual funds are less than one year.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2022 and 2021, the Authority’s investment in money market mutual funds were rated AAAM and Aaa-mf by Standard & Poor’s and Moody’s, respectively.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority’s investment policy does not specifically address credit risk, concentration of credit risk or custodial credit risk.

**Summary of Carrying Values**

The carrying values of deposits and investments shown are included in the balance sheets as follows:

	<b>2022</b>	<b>2021</b>
Carrying value		
Deposits	\$ 3,345,654	\$ 3,047,851
Investments	3,159,962	6,416,439
	\$ 6,505,616	\$ 9,464,290
Included in the following balance sheet captions:		
Current assets		
Cash and cash equivalents	\$ 1,325,184	\$ 1,310,103
Certificates of deposit	610,664	606,389
Investments	223,143	192,325
Restricted assets		
Cash and cash equivalents	2,928,123	6,917,471
Investments	1,418,502	438,002
	\$ 6,505,616	\$ 9,464,290

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

The Authority's recurring fair value measurements as of December 31, 2022 consist of U.S. treasury notes and common stock securities, which are valued using quoted market prices (Level 1 inputs). The Authority's recurring fair value measurements as of December 31, 2021 consist of U.S. treasury notes, fixed income and common stock securities, which are valued using quoted market prices (Level 1 inputs).

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>				
<b>Investments by fair value level</b>				
Equities	\$ 223,143	\$ 223,143	\$ -	\$ -
U.S. Treasury notes	1,418,502	1,418,502	-	-
Total investments by fair value level	\$ 1,641,645	\$ 1,641,645	\$ -	\$ -
<b>December 31, 2021</b>				
<b>Investments by fair value level</b>				
Equities	\$ 192,325	\$ 192,325	\$ -	\$ -
U.S. Treasury notes	438,003	438,003	-	-
Total investments by fair value level	\$ 630,328	\$ 630,328	\$ -	\$ -

***Investment Income***

Total investment return is comprised of the following:

	2022	2021
Interest and dividend income	\$ 47,523	\$ 18,984
Net realized and unrealized gains on investments	30,818	60,412
	\$ 78,341	\$ 79,396



**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3: Capital and Lease Assets**

Capital and lease assets activity for the years ended December 31, 2022 and 2021 was:

	<b>2022</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Net Transfers</b>	
<b>Capital Assets and Leases, Nondepreciable</b>					
Land and land rights	\$ 464,663	\$ -	\$ -	\$ -	\$ 464,663
Construction in progress	1,083,459	3,585,531	-	(409,200)	4,259,790
Total capital and lease assets, nondepreciable	<u>1,548,122</u>	<u>3,585,531</u>	<u>-</u>	<u>(409,200)</u>	<u>4,724,453</u>
<b>Capital Assets and Leases, Depreciable</b>					
Supply, treatment and distribution facilities	78,135,409	-	65,699	409,200	78,478,910
Equipment lease	47,455	-	-	-	47,455
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	<u>79,183,342</u>	<u>-</u>	<u>65,699</u>	<u>409,200</u>	<u>79,526,843</u>
Total capital and lease assets	<u>80,731,464</u>	<u>3,585,531</u>	<u>65,699</u>	<u>-</u>	<u>84,251,296</u>
Less accumulated depreciation and amortization					
Supply, treatment and distribution facilities	35,209,626	1,901,901	65,699	-	37,045,828
Equipment lease	14,237	9,491	-	-	23,728
Water storage space	480,979	25,239	-	-	506,218
	<u>35,704,842</u>	<u>1,936,631</u>	<u>65,699</u>	<u>-</u>	<u>37,575,774</u>
Total capital and lease assets, net	<u>\$ 45,026,622</u>	<u>\$ 1,648,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,675,522</u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

	2021				Ending Balance
	Beginning Balance	Additions	Disposals	Net Transfers	
<b>Capital Assets and Leases, Nondepreciable</b>					
Land and land rights	\$ 464,663	\$ -	\$ -	\$ -	\$ 464,663
Construction in progress	4,362,496	742,746	-	(4,021,783)	1,083,459
Total capital and lease assets, nondepreciable	<u>4,827,159</u>	<u>742,746</u>	<u>-</u>	<u>(4,021,783)</u>	<u>1,548,122</u>
<b>Capital Assets and Leases, Depreciable</b>					
Supply, treatment and distribution facilities	74,113,626	-	-	4,021,783	78,135,409
Equipment lease	47,455	-	-	-	47,455
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	<u>75,161,559</u>	<u>-</u>	<u>-</u>	<u>4,021,783</u>	<u>79,183,342</u>
Total capital and lease assets	<u>79,988,718</u>	<u>742,746</u>	<u>-</u>	<u>-</u>	<u>80,731,464</u>
Less accumulated depreciation and amortization					
Supply, treatment and distribution facilities	33,361,736	1,847,890	-	-	35,209,626
Equipment lease	4,745	9,492	-	-	14,237
Water storage space	455,740	25,239	-	-	480,979
	<u>33,822,221</u>	<u>1,882,621</u>	<u>-</u>	<u>-</u>	<u>35,704,842</u>
Total capital and lease assets, net	<u>\$ 46,166,497</u>	<u>\$ (1,139,875)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,026,622</u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 4: Long-Term Debt**

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2022 and 2021:

Description	2022				Ending Balance	Amount Due Within One Year
	Beginning Balance	Additions	Reductions			
Revenue bonds payable (A)	\$ 3,330,917	\$ -	\$ 179,850	\$ 3,151,067	\$ 186,211	
Revenue bonds payable (C)	85,000	-	85,000	-	-	
Revenue bonds payable (D)	2,700,000	-	225,000	2,475,000	5,000	
Revenue bonds payable (E)	5,175,000	-	145,000	5,030,000	150,000	
Revenue bonds payable (F)	4,180,000	-	90,000	4,090,000	115,000	
Revenue bonds payable (G)	24,855,000	-	345,000	24,510,000	1,030,000	
Lease liability (H)	27,783	-	19,760	8,023	8,023	
	40,353,700	-	1,089,610	39,264,090	1,494,234	
Discount on 2019 bonds	(14,587)	-	(406)	(14,181)	-	
Premium on 2021 bonds	28,435	-	729	27,706	-	
	13,848	-	323	13,525	-	
	<u>\$ 40,367,548</u>	<u>\$ -</u>	<u>\$ 1,089,933</u>	<u>\$ 39,277,615</u>	<u>\$ 1,494,234</u>	

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Description	2021				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable (A)	\$ 3,504,643	\$ -	\$ 173,726	\$ 3,330,917	\$ 179,860
Revenue bonds payable (B)	24,190,000	-	24,190,000	-	-
Revenue bonds payable (C)	170,000	-	85,000	85,000	85,000
Revenue bonds payable (D)	2,920,000	-	220,000	2,700,000	225,000
Revenue bonds payable (E)	5,315,000	-	140,000	5,175,000	145,000
Revenue bonds payable (F)	-	4,180,000	-	4,180,000	90,000
Revenue bonds payable (G)	-	24,855,000	-	24,855,000	345,000
Lease liability (H)	47,455	-	19,674	27,783	18,485
	<u>36,147,098</u>	<u>29,035,000</u>	<u>24,828,400</u>	<u>40,353,700</u>	<u>1,088,345</u>
Premium on 2012 bonds	1,011,915	-	1,011,915	-	-
Discount on 2019 bonds	(14,993)	-	(406)	(14,587)	-
Premium on 2021 bonds	-	29,164	729	28,435	-
	<u>996,922</u>	<u>29,164</u>	<u>1,012,238</u>	<u>13,848</u>	<u>-</u>
	<u>\$ 37,144,020</u>	<u>\$ 29,064,164</u>	<u>\$ 25,840,638</u>	<u>\$ 40,367,548</u>	<u>\$ 1,088,345</u>

- (A) The revenue bonds payable consist of Water Refunding and Improvement Revenue Bonds Series 2005 in the original amount of \$5,450,000 dated October 1, 2005, which bear interest at 2.50% and an additional service fee of 1.00%. The bonds are payable in semi-annual installments through April 15, 2036. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (B) The revenue bonds payable consist of Water Revenue Refunding Bonds Series 2012A in the original amount of \$25,700,000 dated November 1, 2012, which bear interest at 1.00% to 4.00%. The bonds are payable in semi-annual installments through October 2042. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

On June 22, 2021, the Authority issued \$24,855,000 in Series 2021B revenue bonds which bear interest at 0.45% to 3.10% to advance refund \$24,190,000 of outstanding 2012A Series bonds. The net proceeds of \$23,637,968 (after payment of \$335,249 in underwriting fees, insurance and other issuance costs and funding of the debt service reserve account in the amount of \$881,783) plus an additional \$2,075,357 of 2012A Series sinking fund monies were used to purchase U.S. government securities.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012A Series bonds. As a result, the 2012A Series bonds are considered to be defeased, and the liability for those bonds has been removed from the Authority's balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$362,037. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through the year 2042 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments over the next 20 years by \$4,047,771 and to obtain an economic gain or difference between the present values of the old and new debt service payments of \$2,303,590.

- (C) The revenue bonds payable consist of Water Revenue Refunding Bonds Series 2012B in the original amount of \$745,000 dated November 1, 2012, which bear interest at 3.213%. The bonds are payable in semi-annual installments through October 2022. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (D) The revenue bonds payable consist of Construction Refunding Bonds Series 2018 in the original amount of \$3,340,000, dated July 31, 2018, which bear interest at 3.00% to 3.95%. The bonds are payable at annual installments through February 2048. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (E) On October 17, 2019, the Authority issued \$5,350,000 of revenue refunding and improvement bonds (Series 2019) to refund the Series 2014 Bonds and to finance the cost of certain capital improvements. The bonds bear interest at 2.125% to 3.125% and are payable in semi-annual installments through February 2046. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (F) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021A in the original amount of \$4,180,000, which bear interest at 2.00% to 2.125%. The bonds are being issued to finance costs of certain capital improvements. The bonds are payable in semi-annual installments through October 1, 2042. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

- (G) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021B in the original amount of \$24,855,000, which bear interest at 0.45% to 3.10%. The bonds are being issued to provide funds to be used to advance refund the Authority's Series 2012A Bonds. The bonds are payable in semi-annual installments through October 1, 2042. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by a Trust Indenture dated June 22, 2021 between the Issuer and Regions Bank, the trustee.
- (H) The Authority leases equipment for \$1,595 per month, including interest at 3.125%, with a final payment due July 2023. The lease has an end of lease purchase option of \$1. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as restricted assets in the balance sheets. The indenture agreements also require the Authority to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 110% and restrictions on incurrence of additional debt. If the Authority fails to comply with its covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the covenant.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds payable outstanding at December 31, 2022:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,486,211	\$ 967,185
2024	1,507,785	949,781
2025	1,529,591	929,505
2026	1,556,638	906,829
2027	1,578,934	881,980
2028–2032	8,423,443	3,925,515
2033–2037	9,558,453	2,862,844
2038–2042	10,980,000	1,461,501
2043–2047	2,355,000	266,875
2048–2051	280,012	5,425
	<u>\$ 39,256,067</u>	<u>\$ 13,157,440</u>

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 5: Line of Credit**

The Authority has a \$400,000 revolving line of credit with a bank that matures in June 2024. At December 31, 2022, there was \$0 borrowed against this line. The line is collateralized by deposit accounts. Interest accrues at 2.75% and is payable monthly.

**Note 6: Construction Commitments**

At December 31, 2022, the Authority had the following commitments:

	<b>Project Authorization</b>	<b>Expended Through December 31, 2022</b>	<b>Remaining Commitment</b>
Filters 13 & 14 Construction	\$ 4,067,957	\$ 3,247,175	\$ 820,782
4 MGD WTP Expansion	449,400	125,726	323,674

**Note 7: Pension Plan**

The Authority contributes to a non-trusted defined contribution SEP-IRA pension plan (the Plan) covering substantially all employees who have been employed at least two years and who have attained the age of 18. The Plan was established to provide retirement and death benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and may be amended by the board of directors of the Authority. At December 31, 2022 and 2021, there were approximately 27 and 28 plan members, respectively. The Authority contributes 10% of employees' eligible compensation to the Plan. Contributions made by the Authority totaled \$141,187 and \$140,963 during 2022 and 2021, respectively. Employees are fully vested in all contributions to the Plan.

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8: Change in Accounting Principle**

For the year ended December 31, 2022, the Authority implemented GASB 87, *Leases*. As required when presenting prior period comparative statements, the financial statements of the year ended December 31, 2021 have been retrospectively restated. The effect of the restatement are as follows:

	<b>As Previously Reported</b>	<b>As Adjusted</b>	<b>Effect of Change</b>
<b>Balance Sheet</b>			
Capital assets – depreciable, net	\$ 43,478,500	\$ 43,445,282	\$ (33,218)
Lease asset, net	-	33,218	33,218
Current maturities of long-term debt	1,088,345	1,069,860	(18,485)
Current portion of lease liability	-	18,485	18,485
<b>Statement of Cash Flows</b>			
Principal paid on long-term debt	(26,179,343)	(26,159,671)	19,672
Principal paid on lease payable	-	(19,672)	(19,672)



## **Supplementary Information**

**Community Water System**  
**Public Water Authority of the State of Arkansas**  
**Schedule of Functional Expenses**  
**Year Ended December 31, 2022**

	<b>Production Expense</b>	<b>Transmission and Distribution Expense</b>	<b>General and Administrative Expense</b>
<b>Operating Expenses</b>			
Materials and supplies	\$ 407,646	\$ 13,875	\$ 13,827
Salaries and fringe benefits	106,065	229,378	537,550
Contract billing and remittance	-	-	109,211
Repairs and maintenance	869,586	1,037,837	87,031
Grounds maintenance	7,720	7,648	8,283
Utilities and telephone	635,084	300,554	30,997
Cleaning and janitorial	933	-	940
Postage	-	-	1,608
Licenses and fees	1,207	1,214	-
Insurance	47,422	28,470	19,432
Directors' expense	-	-	18,888
Dues	-	-	7,898
Travel expense	-	-	20,460
Consulting fees	4,200	40	4,208
Annual meeting	-	-	19,474
Advertising and promotion	-	-	9,717
Other expense	2,172	31,175	32,392
Depreciation and amortization expense	405,205	873,921	15,863
Administrative allocation	-	-	(228,948)
	<u>2,487,240</u>	<u>2,524,112</u>	<u>708,831</u>
<b>Nonoperating Expense</b>			
Interest expense	<u>376,889</u>	<u>288,354</u>	<u>24,877</u>
Total functional expenses	<u>\$ 2,864,129</u>	<u>\$ 2,812,466</u>	<u>\$ 733,708</u>

<b>Faulkner/ Cleburne Counties Distribution Expense</b>		<b>Total</b>
\$	1,892	\$ 437,240
	128,767	1,001,760
	-	109,211
	338,856	2,333,310
	3,012	26,663
	321,274	1,287,909
	-	1,873
	-	1,608
	-	2,421
	15,346	110,670
	-	18,888
	-	7,898
	-	20,460
	4,575	13,023
	-	19,474
	-	9,717
	79,796	145,535
	641,642	1,936,631
	228,948	-
	<hr/>	<hr/>
	1,764,108	7,484,291
	<hr/>	<hr/>
	354,423	1,044,543
	<hr/>	<hr/>
\$	2,118,531	\$ 8,528,834
	<hr/>	<hr/>

**Community Water System  
Public Water Authority of the State of Arkansas  
Schedules of Water Sales (Unaudited)  
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Gross water revenue		
Retail	\$ 3,245,648	\$ 3,096,140
Wholesale	<u>4,561,680</u>	<u>4,327,102</u>
Total revenue (water sales)	<u>\$ 7,807,328</u>	<u>\$ 7,423,242</u>
Number of connections (including wholesale connections)	<u>7,289</u>	<u>7,169</u>
Number of gallons sold		
Retail	297,691,800	288,050,600
Retail wholesale	61,840,000	58,818,000
Wholesale	<u>1,365,988,000</u>	<u>1,323,802,000</u>
Total gallons sold	<u>1,725,519,800</u>	<u>1,670,670,600</u>

**Community Water System  
Public Water Authority of the State of Arkansas  
Schedules of Insurance Coverage (Unaudited)  
December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Real and personal property	\$ 27,000,000	\$ 27,000,000
General liability	2,000,000	2,000,000
Personal injury limit	1,000,000	1,000,000
Products completed	2,000,000	2,000,000
Each occurrence limit	1,000,000	1,000,000
Fire damage limit	300,000	300,000
Medical expense	5,000	5,000
Business auto	1,000,000	1,000,000
Uninsured motorist	1,000,000	1,000,000
Cyber liability	1,000,000	1,000,000
Equipment floater	3,000–213,490	3,000–213,490
Umbrella policy		
Each occurrence	2,000,000	2,000,000
Products completed	2,000,000	2,000,000
Workers' compensation		
Each incident	500,000	500,000
Policy limit	500,000	500,000
Each employee	500,000	500,000
Surety bond	1,000,000	1,000,000
Employer fidelity bond	5,000 deductible	5,000 deductible
Boiler and machinery coverage	18,100,000	18,100,000

**Community Water System  
Public Water Authority of the State of Arkansas**

**Board of Directors (Unaudited)**

**December 31, 2022**

---

<b>Name</b>	<b>Title</b>
John Buster	President
Gerald Bates	Vice President
Brenda Smith	Treasurer
Terry Robinson	Board Member
Jackie Melton	Board Member

## **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***

### **Independent Auditor's Report**

Board of Directors  
Community Water System  
Public Water Authority of the State of Arkansas  
Greers Ferry, Arkansas

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 Community Water System Public Water Authority of the State of Arkansas (the Authority), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 14, 2023.

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control (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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 may exist that have not been identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority'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 entity'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Little Rock, Arkansas  
March 14, 2023