

**BEAVERFORK PUBLIC WATER AUTHORITY**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022**

**with**

**INDEPENDENT AUDITOR'S REPORT**

**LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC**

**BEAVERFORK PUBLIC WATER AUTHORITY  
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# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Beaverfork Public Water Authority

### Report on the Audit of the Financial Statements

#### ***Opinion***

I have audited the accompanying financial statements of Beaverfork Public Water Authority (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Beaverfork Public Water Authority as of December 31, 2022, 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 Beaverfork Public Water Authority 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 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 Beaverfork Public Water Authority'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 Beaverfork Public Water 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beaverfork Public Water 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.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2023, on my consideration of Beaverfork Public Water Authority'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 Beaverfork Public Water Authority'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 Beaverfork Public Water Authority's internal control over financial reporting and compliance.

*Lisa Stephens*

Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
May 20, 2023

**BEAVERFORK PUBLIC WATER AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 562,544
Accounts receivable	<u>94,935</u>
Total current assets	<u>657,479</u>

**NON-CURRENT ASSETS**

Cash and cash equivalents - restricted	<u>154,799</u>
Total non-current assets	<u>154,799</u>

**PROPERTY & EQUIPMENT**

Property and equipment	3,289,011
Less: accumulated depreciation	<u>(206,145)</u>
Total property & equipment	<u>3,082,866</u>

**OTHER ASSETS**

Unamortized construction period interest	34,344
Deposits	<u>1,250</u>
Total other assets	<u>35,594</u>

<b>Total Assets</b>	<b><u>\$ 3,930,738</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 81,572
Accrued interest payable	3,627
Current maturities of long-term debt	<u>102,282</u>
Total current liabilities	<u>187,481</u>

**NONCURRENT LIABILITIES**

Long-term debt	1,831,088
Less: current maturities	<u>(102,282)</u>
Total noncurrent liabilities	<u>1,728,806</u>
Total liabilities	<u>1,916,287</u>

**NET ASSETS**

Net investment in capital assets	1,251,778
With restrictions	154,799
Without restrictions	<u>607,874</u>
Total fund balance	<u>2,014,451</u>

<b>Total Liabilities &amp; Net Assets</b>	<b><u>\$ 3,930,738</u></b>
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**BEAVERFORK PUBLIC WATER AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2022**

<b>WATER RELATED REVENUE</b>	<u>\$ 1,229,967</u>
<b>OPERATING EXPENSES</b>	
Water purchases	387,548
Depreciation and amortization	108,395
Sewer expense	70,596
Repairs and maintenance	16,378
Salaries	203,319
Utilities and telephone	17,350
Payroll taxes and benefits	17,557
Legal and professional	84,830
Materials and supplies	37,475
Office expense	51,353
Outside services	27,342
Insurance	35,326
Vehicle expense	9,444
Other expense	<u>2,515</u>
Total operating expenses	<u>1,069,428</u>
<b>OPERATING INCOME</b>	160,539
<b>OTHER INCOME/EXPENSE</b>	
Impact fee income	8,947
Miscellaneous income	5,795
Interest and dividend income	3,681
Interest expense	<u>(99,266)</u>
Total other income/expense	<u>(80,843)</u>
<b>NET CHANGE IN NET ASSETS</b>	79,696
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,934,755</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,014,451</u>

**BEAVERFORK PUBLIC WATER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
December 31, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net change in net assets	\$ 79,696
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**ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and amortization	108,395
Increase in:	
Accounts receivable	(25,698)
Increase (decrease) in:	
Accrued interest payable	(281)
Accounts payable and accrued expenses	<u>25,991</u>
Total adjustments	<u>108,407</u>

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>188,103</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Equipment purchased	(134,846)
Change in restricted cash and cash equivalents	<u>(793)</u>

<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(135,639)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from long-term debt	63,092
Principal payments on loans	<u>(79,190)</u>

<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(16,098)</u>
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	36,366
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<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>526,178</u>
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 562,544</u></u>
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**SUPPLEMENTAL DISCLOSURE:**

Cash paid for interest	<u><u>\$ 99,547</u></u>
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**BEAVERFORK PUBLIC WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

Beaverfork Public Water Authority (the Authority), is a public water authority whose purpose is to construct, maintain, and operate a water system. Members consist of residents of northeastern Faulkner county, Arkansas. The Authority is supported primarily through service revenue and other fees.

***Basis of Accounting***

The Authority'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 Authority'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 Authority is determined by its measurement focus. The transactions of the Authority 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 Authority 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 Authority's name. As of December 31, 2022, 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 thirty-nine years. Expenditures for maintenance and repairs are charged against income as incurred. Depreciation expense was \$108,395 for the year ended December 31, 2022.

**BEAVERFORK PUBLIC WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***Revenue Recognition***

The Authority adopted FASB ASC 606, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. The adoption of this new revenue standard does not have a significant impact on the amount and timing of revenue recognized in the Authority's financial statements. Based on the Authority's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

***Long-Lived Assets***

The Authority reviews long-lived assets held and used by the Authority for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the year ended December 31, 2022, this review has not materially affected the Authority's reported earnings, net position or results of operations.

***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.

**BEAVERFORK PUBLIC WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2: ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts due for water service sales and other ancillary services, such as connection fees. Accounts receivable are written off when the possibility of collection is unlikely. As of December 31, 2022, accounts receivable is fully collectible, therefore, no allowance is necessary.

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets for the years ended December 31, 2022 are as follows:

	Balance 12/31/2021	Additions	Disposals	Balance 12/31/2022
Land and land rights	\$78,613			\$78,613
Building and improvements	449,813			449,813
Vehicles	48,794			48,794
Water treatment Equipment	2,574,530	\$137,261		2,711,791
	<u>\$3,151,750</u>	<u>137,261</u>		<u>\$3,289,011</u>
Less: accumulated Depreciation	97,750	108,395		206,145
Total capital assets	<u>\$3,054,000</u>	<u>\$28,866</u>		<u>\$3,082,866</u>

**NOTE 4: LONG-TERM DEBT**

Note payable to First Security Bank; monthly payments of \$1,988 beginning July 2015; interest rate of 5.75%, due June 2024

\$ 208,549

Note payable to USDA - Rural Development; monthly payments of \$9,804 beginning April 1996; interest rate of 5.375%; due May 2036

1,111,909

Note payable to USDA - Rural Development; monthly payments of \$2,628 beginning February 2007; interest rate of 4.25%; due January 13, 2045

458,037

Note payable to finance company; monthly payments of \$1,186 beginning February 2022; interest rate of 5.00%; due December 2026

52,593

1,831,088

Less: Current Maturities

102,282

\$ 1,728,806

**BEAVERFORK PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4: LONG-TERM DEBT (CONTINUED)**

Maturities of long-term debt for the five years succeeding December 31, 2022, are as follows: 2023 - \$102,282, 2024 - \$318,328; 2025 - \$101,469; 2026 - \$106,839; 2027 - \$99,479 and thereafter- \$1,102,691.

**NOTE 5: RESTRICTED ASSETS**

Restricted assets consist of debt service reserves held at First Security Bank. The following is the restricted cash at December 31, 2022:

USDA - RD Debt Reserve Fund	\$ 154,799
	<u>\$ 154,799</u>

**NOTE 6: RELATED PARTY DISCLOSURE**

During the year ended December 31, 2022 there have been no advances to or from related parties. There are no accounts or loans receivable from related parties or accounts or loans payable to related parties.

The Authority also had no purchases from related parties during the year ended December 31, 2022.

**NOTE 7: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 20, 2023, the date which the financial statements were available for issue.

# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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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  
Beaverfork Public Water Authority

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 Beaverfork Public Water Authority (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 May 20, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Beaverfork Public Water Authority'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 Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Beaverfork Public Water 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 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 Beaverfork Public Water Authority'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 Authority'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.



Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
May 20, 2023