

**CLAY COUNTY REGIONAL WATER DISTRIBUTION DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2022 and 2021**

**(With Independent Auditor's Report Thereon)**

**Baker Firm, P.A.  
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**CLAY COUNTY REGIONAL WATER DISTRIBUTION DISTRICT**

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INDEPENDENT AUDITOR'S  
REPORT

## **INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors of  
Clay County Regional Water Distribution District  
McDougal, Arkansas**

Baker Firm, P.A. (the "Firm") has audited the accompanying financial statements of the business type activities of **Clay County Regional Water Distribution District (the "District")**, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible 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.

### **Auditor's Responsibility**

The Firm's responsibility is to express an opinion on these financial statements based on my audit. The Firm conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that the Firm plan and perform the audits 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 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, the Firm expresses 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.

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

## **Opinion**

In the Firm's opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the **Clay County Regional Water Distribution District** as of June 30, 2022 and 2021, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United State of America.

## **Other Matters**

### **Required Supplementary Information**

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. The Firm's opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

The Firm's audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clay County Regional Water Distribution District's basic financial statements. The accompanying other information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, the Firm does not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, the Firm has also issued its report dated September 26, 2022 on its consideration of the District's internal control over financial reporting and on the Firm's tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of the Firm's testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

**BAKER FIRM, P.A.:**

By: 

Zac Baker, CPA  
Jonesboro, Arkansas  
September 26, 2022

# FINANCIAL STATEMENTS

**Clay County Regional Water Distribution District**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash and cash equivalents	\$ 298,308	\$ 291,575
Investments	520,591	516,924
Accounts receivable		
(less allowance of \$4,855 and \$5,483, respectively)	47,663	42,992
Accrued interest receivable	694	1,119
Total current assets	<u>867,255</u>	<u>852,610</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash	240,316	108,538
Restricted investments	548,428	641,793
Capital assets		
Capital assets, net	<u>3,911,946</u>	<u>4,230,061</u>
Total non-current assets	<u>4,700,690</u>	<u>4,980,392</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,567,945</u></b>	<b><u>\$ 5,833,002</u></b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Customer deposits	259,290	251,745
Accounts payable	25,355	24,159
Sales tax payable	6,173	5,848
Payroll taxes payable	2,724	2,481
Child support payable	239	90
Compensated absences	47,334	25,236
Interest payable	2,599	3,239
Current portion of long-term debt	<u>71,514</u>	<u>72,820</u>
Total current liabilities	<u>415,228</u>	<u>385,618</u>
<b>LONG-TERM DEBT</b>		
Non current portion of long-term debt	<u>1,670,774</u>	<u>1,891,918</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,086,002</u></b>	<b><u>2,277,536</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	2,299,109	2,403,909
Restricted		
Expendable:		
Renewal and replacement	400,000	360,000
Unrestricted	<u>782,834</u>	<u>791,557</u>
Total net position	<u>3,481,943</u>	<u>3,555,466</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 5,567,945</u></b>	<b><u>\$ 5,833,002</u></b>

**Clay County Regional Water Distribution District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Water revenue	\$ 994,093	\$ 994,655
Bulk water sales	163,049	152,792
Connection charges	32,333	28,972
Late charges and service fees	22,529	28,777
Billing services	19,516	17,467
Water sampling	500	1,250
Other	42,915	11,777
<b>Total operating revenue</b>	<u>1,274,935</u>	<u>1,235,690</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	386,910	388,125
Purchased water	167	200
Payroll taxes	31,631	34,437
Utilities	114,913	101,007
Chemicals	16,723	14,440
Repairs and supplies	99,198	52,930
Contract system repairs	17,435	13,570
Cost to move lines due to AR DoT	44,666	-
Miscellaneous	2,336	844
Travel	2,944	893
Truck expense	30,854	50,428
Telephone	6,236	5,970
Utility location services	4,710	3,630
Office supplies	40,168	33,487
Insurance	48,221	40,670
Professional fees	8,500	8,842
License, dues and subscriptions	2,620	1,775
Uniforms	6,009	5,819
Employee benefits	67,078	66,423
Directors fees	7,200	7,600
Lawn service	6,900	6,950
Advertising	-	1,466
Depreciation	353,615	340,933
<b>Total operating expenses</b>	<u>1,299,034</u>	<u>1,180,439</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(24,099)</u>	<u>55,251</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	11,037	22,248
Sale of capital assets	7,380	-
Interest expense	(67,841)	(75,883)
Nonoperating revenues (expenses)	<u>(49,424)</u>	<u>(53,635)</u>
Income before other revenues, expenses, gains or losses	(73,523)	1,616
Adjustments to capital assets		
<b>CHANGE IN NET POSITION</b>	(73,523)	1,616
<b>NET POSITION BEGINNING</b>	<u>3,555,466</u>	<u>3,553,850</u>
<b>NET POSITION ENDING</b>	<u><u>3,481,943</u></u>	<u><u>3,555,466</u></u>



**Clay County Regional Water Distribution District**  
**Statements of Cash Flows**  
**June 30, 2022 and 2021**

	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 1,270,264	\$ 1,235,690
Cash payments to suppliers for goods and services	(534,498)	(457,142)
Cash payments to employees	(386,910)	(388,125)
Net cash provided/(used) by operating activities	<u>348,856</u>	<u>390,423</u>
<b>Cash flows from non-capital financing activities:</b>		
Customer meter deposit (net)	10,601	15,008
Net cash provided/(used) by non-capital financing activities	<u>10,601</u>	<u>15,008</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on non-bonded debt	-	-
Principal payments on bonded debt	(222,451)	(92,873)
Interest payments on bonded debt	(68,481)	(76,029)
Decrease (increase) in restricted assets	-	(24,279)
Sale of capital assets - book value	7,380	
Purchases of capital assets	(35,500)	(99,515)
Net cash provided/(used) by financing activities	<u>(319,052)</u>	<u>(292,696)</u>
<b>Cash flows from investing activities:</b>		
Interest Income	8,105	22,248
Purchase of investments		
Conversion of CDs/investments to money market/cash	90,000	-
Net cash provided/(used) by investing activities	<u>98,105</u>	<u>22,248</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	<b>138,510</b>	<b>134,983</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u><b>400,113</b></u>	<u><b>265,130</b></u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 538,623</b></u>	<u><b>\$ 400,113</b></u>

**Clay County Regional Water Distribution District**  
**Statements of Cash Flows**  
**June 30, 2022 and 2021**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating income/(loss)	\$ (24,099)	\$ 55,251
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>		
Depreciation	353,615	340,933
Decrease (increase) in assets/liabilities		
Accounts receivable	(4,671)	7,465
Accounts payable	1,913	(7,670)
Compensated absences	22,098	(5,556)
Total Adjustments	<u>372,955</u>	<u>335,172</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 348,856</u></u>	<u><u>\$ 390,423</u></u>

**RECONCILIATION OF CASH TO STATEMENT OF NET POSITION**

Unrestricted cash	\$ 298,308	\$ 291,575
Restricted cash (non-current)	<u>240,316</u>	<u>108,538</u>
	<u><u>\$ 538,623</u></u>	<u><u>\$ 400,113</u></u>

**NONCASH TRANSACTIONS**

Amount earned on investments	\$ (12)	\$ 4,532
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NOTES TO THE FINANCIAL  
STATEMENTS

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

**A. Organization**

Clay County Regional Water Distribution District (the "District") is an entity organized as a non-profit corporation established under the laws of the State of Arkansas. The District was formed to operate and provide rural water services to the residents of the District.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; (ii) 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 (iii) 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 District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resource measurement focus and the accrual basis of accounting. The basis of accounting determines when transactions and economic events are reflected in financial statements and measurement focus identifies which transactions and events should be recorded. The measurement focus of an enterprise fund is an economic resources measurement focus, the objectives of which are the determination of an operating income, changes in financial position and cash flow. Under an economic resource measurement focus, all assets, deferred inflows (outflows) of resources and liabilities are reported. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the District's informal policy to apply the expense to restricted net position to the extent such are available and then to unrestricted net position.

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**  
(continued)

**C. Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the District considers all cash balances on hand, demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less to be cash equivalents.

**D. Capital Assets**

Capital assets consist of property, plant and equipment which are stated at historical cost or at estimated cost if actual historical cost information is not available. Contributed assets are recorded at their estimated fair value at the time of contribution. The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is reported as nonoperating revenues or expenses. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Office furniture and fixtures	10 years
Office buildings	40 years
Equipment	10 years
Pumps and treatment equipment	10 years
Wells	40 years
Plant buildings	40 years
Lines and storage	40-50 years

Automobiles are listed as equipment, but with estimated useful lives of five (5) years.

**E. Revenue Recognition**

Revenue for water supply, treatment and distributions services are recognized in the period during which the related services are provided. Accounts receivable and revenues reported on the District's financial statements include an estimate of charges for services provided, but unbilled at year end.

**F. Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**  
**(continued)**

The useful lives of assets comprising utility plant in service are significant estimates used to determine the amount of depreciation expenses and the net book value of utility plant in services reported in the District's financial statements.

**G. Net Position**

Net position is classified in the following three components:

*Net investment in capital assets* – This component of net position consists of 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.

*Restricted* – This component of net positions 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.

*Unrestricted net assets* – This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

**H. Taxes**

The District is exempt from federal income taxes under Code Section 115 of the Internal Revenue Code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

**I. Compensated Absences**

Employee's vested or accumulated vacation time are recorded as an expense and liability as the benefits accrue to employees and are included on the District's financial statements. Employees are granted (10) days of vacation after (1) year of service and (15) days after (10) years of service. The total amount recognized for the years ending June 30, 2022 and 2021 was \$47,334 and \$25,236. The entire liability is considered a current liability.

**J. Budgets and Budgetary Accounting**

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the District. The budget is adopted under a cash basis and does not include depreciation, certain capital expenses, and certain nonoperating income and expense items. All annual appropriations lapse at year-end.

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**  
**(continued)**

**K. Customer Deposits**

All new residential and commercial customers are required to place a \$75 utility deposit with the District. The customer's deposit is returned once all outstanding balances are finalized on the customer's account and the customer provides forwarding contact information.

**L. Investments**

An investment is a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The District accounts for its investments at fair value in accordance with GASB Statement no. 72, *Fair Value Measurement and Application*. Fair value is defined as 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. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. Nonparticipating contracts are reported at cost in accordance with GASB Statement no. 31, *Accounting and Reporting for Certain Investments and for External Investments Pools*.

Detailed information about the District's investments is provided in Note 2.

**NOTE 2: PUBLIC FUND DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The governing body has not formally adopted deposit and investment policies. In accordance with Arkansas State statutes, the District is required to maintain full collateralization of cash balances above the Federal Deposit Insurance Corporation insurance limits. At June 30, 2022 and 2021, none of the District's carrying or bank balance were exposed to custodial credit risk. The District's carrying balance and bank balance were fully insured by FDIC.

**Investments**

At June 30, 2022 the District's investments consisted of money market accounts totaling \$101,958, reflected as cash equivalents and nonnegotiable certificates of deposit classified as nonparticipating contracts of \$1,069,019. During the year, the District converted all its negotiable certificate of deposits into money market accounts.

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2: PUBLIC FUND DEPOSITS AND INVESTMENTS- (continued)**

At June 30, 2021 the District investments consisted of a money market account of \$9,015, reflected as cash equivalents, negotiable certificate of deposits of \$90,012 and nonnegotiable certificate of deposits classified as nonparticipating contracts of \$1,068,706.

The negotiable certificate of deposits will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
\$0	\$90,012	\$0	\$0	\$90,012

Interest rate risk- The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair market value- The District 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 quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair market value of the investments at June 30, 2021 is:

<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Quoted prices for identical investments in active markets	Other observable inputs	Significant unobservable inputs	Total
	\$90,012		\$90,012



**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2: PUBLIC FUND DEPOSITS AND INVESTMENTS (continued)**

**Restricted cash and investments:**

Restricted assets consist of required debt reserves, required short lived asset accounts for replacement and repair and customers meter deposits.

The following is a summary of the restricted cash and cash equivalents and investments as of June 30, 2022 and 2021:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Restricted Cash:		
Short lived asset	62,327	40,395
Meter Deposits	75,521	58,619
Debt Reserve	102,468	9,524
Total Restricted Cash	<u><u>\$ 240,316</u></u>	<u><u>\$ 108,538</u></u>
Restricted Investments:		
Short lived asset	337,673	319,605
Meter Deposits	183,769	193,126
Debt Reserve	26,986	129,062
Total Restricted Investments	<u><u>\$ 548,428</u></u>	<u><u>\$ 641,793</u></u>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital asset balances that occurred during the years ending June 30, 2022 and 2021 follows:

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2022</u>
<b>Non-depreciable:</b>				
Land	\$ 23,000			\$ 23,000
<b>Depreciable:</b>				
Office furniture and fixtures	38,680			38,680
Office building	373,560			373,560
Equipment and tools	229,076	35,500	(15,100)	249,476
Wells	417,516			417,516
Lines and storage tanks	12,422,108			12,422,108
	13,480,940	35,500	(15,100)	13,501,340
Less accumulated depreciation	(9,273,879)	(353,615)	15,100	(9,612,394)
	4,207,061	(318,115)		3,888,946
<b>Capital assets, net</b>	<u><b>\$ 4,230,061</b></u>	<u><b>\$ (318,115)</b></u>		<u><b>\$ 3,911,946</b></u>

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2021</u>
<b>Non-depreciable:</b>				
Land	\$ 19,000	\$ 4,000		\$ 23,000
<b>Depreciable:</b>				
Office furniture and fixtures	38,680			38,680
Office building	373,560			373,560
Equipment and tools	133,561	95,515		229,076
Wells	417,516			417,516
Lines and storage tanks	12,422,108			12,422,108
	13,385,425	95,515		13,480,940
Less accumulated depreciation	(8,932,946)	(340,933)		(9,273,879)
	4,452,479	(245,418)		4,207,061
<b>Capital assets, net</b>	<u><b>\$ 4,471,479</b></u>	<u><b>\$ (241,418)</b></u>		<u><b>\$ 4,230,061</b></u>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 4: LONG-TERM LIABILITIES**

Changes in long-term debt consisted of the following for June 30, 2022 and 2021 are as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
10/21/1991	10/21/2031	5%	830,600	326,961	503,639
1/4/1999	1/4/2039	5%	623,400	415,189	208,211
4/2/2003	4/2/2043	5%	203,900	-	203,900
4/18/2012	4/18/2052	2.75%	1,000,000	850,298	149,702
8/28/2012	8/28/2052	2.75%	175,000	149,840	25,160
			<u>\$ 2,832,900</u>	<u>\$ 1,742,288</u>	<u>\$ 1,090,612</u>

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2021	Maturities To June 30, 2021
10/21/1991	10/21/2031	5%	830,600	358,693	471,907
10/21/1991	10/21/2031	5%	50,000	-	50,000
1/4/1999	1/4/2039	5%	623,400	430,611	192,789
4/2/2003	4/2/2043	5%	203,900	153,910	49,990
4/18/2012	4/18/2052	2.75%	1,000,000	868,521	131,479
8/28/2012	8/28/2052	2.75%	175,000	153,003	21,997
			<u>\$ 2,882,900</u>	<u>\$ 1,964,738</u>	<u>\$ 918,162</u>

Long-term liability activity for the year ended June 30, 2022 and 2021, is as follows:

	June 30, 2022				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	<u>\$ 1,964,738</u>	<u>\$ -</u>	<u>\$ 222,450</u>	<u>\$ 1,742,288</u>	<u>\$ 71,514</u>

	June 30, 2021				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	<u>\$ 2,057,611</u>	<u>\$ -</u>	<u>\$ 92,873</u>	<u>\$ 1,964,738</u>	<u>\$ 72,820</u>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 4: LONG-TERM LIABILITIES (continued)**

Maturities of long-term debt at June 30, 2022 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2023	\$ 71,514	\$ 62,190	*	\$ 133,704
2024	74,618	57,506		132,124
2025	77,865	54,327		132,192
2026	81,260	52,444		133,704
2027	84,813	48,891		133,704
2028-2032	388,461	185,339		573,800
2033-2037	296,095	126,841		422,936
2038-2042	245,479	72,235		317,714
2043-2047	201,305	44,755		246,060
2048-2052	220,470	15,143		235,613
2053-2057	408	1		409
	<u>\$ 1,742,288</u>	<u>\$ 719,672</u>		<u>\$ 2,461,960</u>

\*Included interest payable at June 30, 2022 of \$2,599

**NOTE 5: BONDS PAYABLE**

The District has various bond issues, which were funded through the United States Department of Agriculture, Rural Development (USDA). The bonds issued outstanding at June 30, 2022 and 2021 consisted of the following:

June 30, 2022				
<u>Lender</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>
USDA	10/21/1991	10/21/2031	5%	830,600
USDA	1/4/1999	1/4/2039	5%	623,400
USDA	4/18/2012	4/18/2052	2.75%	1,000,000
USDA	8/28/2012	8/28/2052	2.75%	175,000
				<u>2,629,000</u>

June 30, 2021				
<u>Lender</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>
USDA	10/21/1991	10/21/2031	5%	830,600
USDA	1/4/1999	1/4/2039	5%	623,400
USDA	4/2/2003	4/2/2043	5%	203,900
USDA	4/18/2012	4/18/2052	2.75%	1,000,000
USDA	8/28/2012	8/28/2052	2.75%	175,000
				<u>2,832,900</u>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 5: BONDS PAYABLE (continued)**

**Debt Service Reserve**

The debt covenants requires the District to establish and maintain certain balances in restricted reserve accounts that are fully insured by the FDIC. At June 30, 2022 and 2021, the District had \$129,454 and \$138,586, respectively in reserve funds (held as cash and certificate of deposits) restricted for debt service.

**Short-Lived Asset Reserve**

The debt covenants requires the District to establish a short-lived asset reserve account for replacement and repairs. At June 30, 2022 and 2021, the District had \$400,000 and \$360,000, respectively in reserve funds (held as cash and certificate of deposits) restricted for renewal and replacement.

**Bonded Debt Pledged Revenue**

The debt covenants requires the District to pledge future customer revenues, net of specified operating expenditures, to repay bonds. Total principal, interest and fees remaining on the bonds as of June 30, 2022 was \$1,742,288 and \$719,672, respectively. Principal, interest and fees paid for the current year were \$222,451 and \$67,841, respectively. The percentage of customer revenue pledged for principal, interest and fees at June 30, 2022, was 11.36%.

Total principal, interest and fees remaining on the bonds as of June 30, 2021 was \$1,964,738 and \$872,442, respectively. Principal, interest and fees paid for said year then ended were \$92,873 and \$76,029, respectively. The percentage of customer revenue pledged for principal, interest and fees at June 30, 2021 was 11.83%.

**NOTE 6: RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased insurance to address these risks. There has been no significant reduction in the District's coverage during the years ended June 30, 2022 and 2021. In addition, there have been no settlements in excess of the District's coverage in any of the prior three years.

## OTHER INFORMATION

**Clay County Regional Water Distribution District  
Other Information  
Schedule of Water Rates  
June 30, 2021**

**Customer Rate**

<b>First 1,000 gallons</b>	<b>\$20.00 (minimum)</b>
<b>Over 1,000 gallons</b>	<b>5.00 per 1,000 gallons</b>

**Rate for Cities**

<b>First 1,000 gallons</b>	<b>\$1.50</b>
<b>Over 1,000 gallons</b>	<b>\$1.00 per 1,000 gallons</b>

**Rate for Farmers**

<b>For every 1,000 gallons</b>	<b>\$3.00 per 1,000 gallons</b>
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# OTHER REQUIRED REPORT



Baker Firm, P.A.  
Certified Public Accountant  
110 W. Huntington Ave., Suite A  
Jonesboro, AR 72401  
Office (870) 203-0075

**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  
Clay County Regional Water Distribution District  
McDougal, Arkansas**

Baker Firm, P.A. (the "Firm") has 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 the business-type activities of Clay County Regional Water Distribution District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and has issued its report thereon dated September 26, 2022.

**Internal Control over Financial Reporting**

In planning and performing its audit of the financial statements, the Firm considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing its opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, the Firm does not express an opinion on the effectiveness of the District's internal control.

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

The Firm's 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, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during the Firm's audit it did not identify any deficiencies in internal control that it considers 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 the District's financial statements are free from material misstatement, the Firm performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant 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 the Firm's audit, and accordingly, the Firm does not express such an opinion. The results of the Firm's test 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 the Firm's 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BAKER FIRM, P.A.:**

By:   
Zac Baker, CPA  
Jonesboro, Arkansas  
September 26, 2022