

**CLAY COUNTY REGIONAL WATER DISTRIBUTION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2023 and 2022**

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

**Baker Firm, P.A.  
110 W. Huntington Ave, Ste A  
Jonesboro, AR 72401  
(870) 203-0075**

**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**

### **Opinions**

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In the Firm's opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the business-type activities of the **District** as of June 30, 2023 and 2022, 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.

### **Basis for Opinions**

The Firm conducted its audit in accordance with auditing standards generally accepted in the United States of America. 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management 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 Unites State 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 District's ability to continue as a going concern for twelve 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 opinions. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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

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*Baker Firm, P.A.*

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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 District'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 District'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**

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 opinions on the basic financial statements are not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for the 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 Information**

Management is responsible for all other information included in the report. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

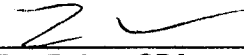
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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*, the Firm has also issued its report dated September 25, 2023 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 25, 2023

# FINANCIAL STATEMENTS

**Clay County Regional Water Distribution District**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

<u>ASSETS</u>		
	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 152,788	\$ 298,308
Investments	614,847	520,591
Accounts receivable		
(less allowance of \$3,226 and \$5,884, respectively)	38,520	47,663
Accrued interest receivable	4,025	694
Total current assets	810,180	867,255
<b>NON-CURRENT ASSETS</b>		
Restricted cash	289,906	240,316
Restricted investments	554,508	548,428
Capital assets		
Capital assets, net	3,575,895	3,911,946
Total non-current assets	4,420,309	4,700,690
<b>TOTAL ASSETS</b>	<b>\$ 5,230,489</b>	<b>\$ 5,567,945</b>
<u>LIABILITIES AND NET POSITION</u>		
<b>CURRENT LIABILITIES</b>		
Customer deposits	270,710	259,290
Accounts payable	25,510	25,355
Sales tax payable	6,455	6,173
Payroll taxes payable	4,039	2,724
Child support payable	239	239
Compensated absences	56,071	47,334
Interest payable	2,486	2,599
Current portion of long-term debt	74,618	71,514
Total current liabilities	440,128	415,228
<b>LONG-TERM DEBT</b>		
Non current portion of long-term debt	1,596,161	1,670,774
<b>TOTAL LIABILITIES</b>	<b>2,036,290</b>	<b>2,086,002</b>
<b>NET POSITION</b>		
Net investment in capital assets	2,038,820	2,299,109
Restricted		
Expendable:		
Renewal and replacement	440,000	400,000
Unrestricted	715,379	782,834
Total net position	3,194,199	3,481,943
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 5,230,489</b>	<b>\$ 5,567,945</b>



**Clay County Regional Water Distribution District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Water revenue	\$ 1,027,159	\$ 994,093
Bulk water sales	146,337	163,049
Connection charges	22,600	32,333
Late charges and service fees	26,153	22,529
Billing services	17,536	19,516
Water sampling	0	500
Other	8,767	42,915
<b>Total operating revenue</b>	<u>1,248,552</u>	<u>1,274,935</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	408,878	386,910
Purchased water	228	167
Payroll taxes	34,936	31,631
Utilities	122,938	114,913
Chemicals	30,105	16,723
Repairs and supplies	207,451	99,198
Contract system repairs	16,233	17,435
Cost to move lines due to AR DoT	-	44,666
Miscellaneous	9,098	2,336
Travel	2,295	2,944
Truck expense	81,608	30,854
Telephone	6,071	6,236
Utility location services	3,634	4,710
Office supplies	48,529	40,168
Insurance	48,491	48,221
Professional fees	9,161	8,500
License, dues and subscriptions	3,211	2,620
Uniforms	6,230	6,009
Employee benefits	76,619	67,078
Directors fees	6,500	7,200
Lawn service	9,360	6,900
Depreciation	358,276	353,615
<b>Total operating expenses</b>	<u>1,489,852</u>	<u>1,299,034</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(241,300)</u>	<u>(24,099)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	15,865	11,037
Sale of capital assets	-	7,380
Interest expense	(62,309)	(67,841)
Nonoperating revenues (expenses)	<u>(46,444)</u>	<u>(49,424)</u>
Income before other revenues, expenses, gains or losses	(287,744)	(73,523)
Adjustments to capital assets	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(287,744)	(73,523)
<b>NET POSITION BEGINNING</b>	3,481,943	3,555,466
<b>NET POSITION ENDING</b>	<u>3,194,199</u>	<u>3,481,943</u>

**Clay County Regional Water Distribution District**  
**Statements of Cash Flows**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 1,246,997	\$ 1,270,264
Cash payments to suppliers for goods and services	(701,511)	(534,498)
Cash payments to employees	(408,878)	(386,910)
Net cash provided/(used) by operating activities	<u>136,608</u>	<u>348,856</u>
<b>Cash flows from non-capital financing activities:</b>		
Customer meter deposit (net)	11,420	10,601
Net cash provided/(used) by non-capital financing activities	<u>11,420</u>	<u>10,601</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on non-bonded debt	-	-
Principal payments on bonded debt	(71,509)	(222,451)
Interest payments on bonded debt	(62,309)	(68,481)
Decrease (increase) - other	(3,754)	-
Sale of capital assets - book value	-	7,380
Purchases of capital assets	(22,250)	(35,500)
Net cash provided/(used) by financing activities	<u>(159,822)</u>	<u>(319,052)</u>
<b>Cash flows from investing activities:</b>		
Interest Income	15,865	8,105
Purchase of investments	(100,000)	-
Conversion of CDs/investments to money market/cash	-	90,000
Net cash provided/(used) by investing activities	<u>(84,135)</u>	<u>98,105</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	(95,929)	138,510
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>538,623</u>	<u>400,113</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 442,694</u>	<u>\$ 538,623</u>

**Clay County Regional Water Distribution District**  
**Statements of Cash Flows**  
June 30, 2023 and 2022

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

Operating income/(loss)	\$ (241,300)	\$ (24,099)
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**Adjustments to reconcile operating income (loss) to net  
cash provided by operating activities:**

Depreciation	358,276	353,615
Decrease (increase) in assets/liabilities		
Accounts receivable	9,143	(4,671)
Accounts payable	1,752	1,913
Compensated absences	8,737	22,098
Total Adjustments	<u>377,908</u>	<u>372,955</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>\$ 136,608</u>	<u>\$ 348,856</u>
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**RECONCILIATION OF CASH TO STATEMENT OF NET POSITION**

Unrestricted cash	\$ 152,788	\$ 298,308
Restricted cash (non-current)	<u>289,906</u>	<u>240,316</u>
	<u>\$ 442,694</u>	<u>\$ 538,623</u>

**NONCASH TRANSACTIONS**

Amount earned on investments	\$ -	\$ (12)
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NOTES TO THE FINANCIAL  
STATEMENTS

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**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, 2023 and 2022**

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, 2023 and 2022**

**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, 2023 and 2022 was \$56,071 and \$47,334, respectively. 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, 2023 and 2022**

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

**K. Customer Deposits**

All new residential and commercial customers are required to place a \$100 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, 2023 and 2022, 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, 2023 the District's investments consisted of money market accounts totaling \$105,176, reflected as cash equivalents and nonnegotiable certificates of deposit classified as nonparticipating contracts of \$1,169,356.



**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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

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.

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.

**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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Restricted Cash:		
Short lived asset	103,956	62,327
Meter Deposits	80,262	75,521
Debt Reserve	105,687	102,468
Total Restricted Cash	<u>\$ 289,906</u>	<u>\$ 240,316</u>
Restricted Investments:		
Short lived asset	336,044	337,673
Meter Deposits	190,448	183,769
Debt Reserve	28,017	26,986
Total Restricted Investments	<u>\$ 554,508</u>	<u>\$ 548,428</u>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital asset balances that occurred during the years ending June 30, 2023 and 2022 follows:

	<u>Balance</u> <u>7/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2023</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	249,476	22,225		271,701
Wells	417,516			417,516
Lines and storage tanks	12,422,108			12,422,108
	<u>13,501,340</u>	<u>22,225</u>		<u>13,523,565</u>
Less accumulated depreciation	<u>(9,612,394)</u>	<u>(358,276)</u>		<u>(9,970,670)</u>
	3,888,946	(336,051)		3,552,895
<b>Capital assets, net</b>	<b><u>\$ 3,911,946</u></b>	<b><u>\$ (336,051)</u></b>		<b><u>\$ 3,575,895</u></b>

	<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
	<u>13,480,940</u>	<u>35,500</u>	<u>(15,100)</u>	<u>13,501,340</u>
Less accumulated depreciation	<u>(9,273,879)</u>	<u>(353,615)</u>	<u>15,100</u>	<u>(9,612,394)</u>
	4,207,061	(318,115)		3,888,946
<b>Capital assets, net</b>	<b><u>\$ 4,230,061</u></b>	<b><u>\$ (318,115)</u></b>		<b><u>\$ 3,911,946</u></b>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**NOTE 4: LONG-TERM LIABILITIES**

Changes in long-term debt consisted of the following for June 30, 2023 and 2022 are as follows:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2023</u>	<u>Maturities To June 30, 2023</u>
10/21/1991	10/21/2031	5%	830,600	293,606	536,994
1/4/1999	1/4/2039	5%	623,400	399,019	224,381
4/18/2012	4/18/2052	2.75%	1,000,000	831,567	168,433
8/28/2012	8/28/2052	2.75%	175,000	146,587	28,413
			<u>\$ 2,629,000</u>	<u>\$ 1,670,779</u>	<u>\$ 958,221</u>

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2022</u>	<u>Maturities To June 30, 2022</u>
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
4/18/2012	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>\$ 2,629,000</u>	<u>\$ 1,742,288</u>	<u>\$ 886,712</u>

Long-term liability activity for the year ended June 30, 2023 and 2022, is as follows:

	June 30, 2023				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	<u>\$ 1,742,288</u>	<u>\$ -</u>	<u>\$ 71,509</u>	<u>\$ 1,670,779</u>	<u>\$ 74,618</u>
	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>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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

Maturities of long-term debt at June 30, 2023 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	88,529	42,163	130,692
2029-2033	354,847	172,174	527,021
2034-2038	307,304	116,476	423,780
2039-2043	217,436	64,734	282,170
2044-2048	206,911	39,149	246,060
2049-2053	177,176	9,618	186,794
	<u>\$ 1,670,759</u>	<u>\$ 657,482</u>	<u>\$ 2,328,241</u>

\*Included interest payable at June 30, 2023 of \$2,486.

**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, 2023 and 2022 consisted of the following:

June 30, 2023				
<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, 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>

**Clay County Regional Water Distribution District**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**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, 2023 and 2022, the District had \$133,704 and \$129,454, 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, 2023 and 2022, the District had \$440,000 and \$400,000, 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, 2023 was \$1,670,779 and \$657,482, respectively. Principal, interest and fees paid for the current year were \$71,509 and \$62,195, respectively. The percentage of customer revenue pledged for principal, interest and fees at June 30, 2023, was 10.71%.

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%.

**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, 2023 and 2022. 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, 2023**

<b>WATER RATES</b>
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**Residential 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>

**Commercial Customer Rate**

<b>First 1,000 gallons</b>	<b>\$20.00</b>
<b>Over 1,000 gallons</b>	<b>\$3.00 per 1,000 gallons</b>

**Rate for Cities**

<b>First 800,000 gallons</b>	<b>\$1.50</b>
<b>Over 800,000 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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<b>Meter Setting</b>
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<b>Line Side</b>	<b>3/4 (\$800.00)</b>	<b>1" (\$1,000.00)</b>
<b>Gravel Road Crossing</b>	<b>3/4 (\$900.00)</b>	<b>1" (\$1,200.00)</b>
<b>Road Bore (Paved)</b>	<b>3/4 (\$2,500.00)</b>	<b>1" (\$2,800.00)</b>

**Above prices include a (\$100.00) meter deposit**

<b>All Meters Moved</b>	<b>\$800.00</b>
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<b>Meter Deposit</b>	<b>\$100.00</b>
<b>Service Charge</b>	<b>\$75.00</b>
<b>Return Checks Fee Amou</b>	<b>\$15.00</b>

OTHER REQUIRED REPORT



**Baker Firm, P.A.**  
**Certified Public Accountant**  
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**Jonesboro, Arkansas 72401**  
**Office 870-203-0075**  
**Fax 888-692-0162**

**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and has issued its report thereon dated September 25, 2023.

**Report on 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) as a basis for designating 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. However, as described below the Firm did identify certain deficiencies in internal control that it considers to be a material weakness. The Firm considered the deficiency described below to be a material weakness:

**2023-001**

**Criteria:** Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements.

**Condition:** The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the District's objectives with regard to reliability of financial reporting.

**Cause:** Cost/benefit implication hinder the District's ability to adequately segregate financial accounting duties among employees.

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**Baker Firm, P.A.**

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**Effect or Potential Effect:** Financial accounting duties are not distributed among the District's employees to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected.

**Recommendation:** To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

**Response:** The District is aware of the deficiency and will continue to attempt to mitigate the deficiency with increased oversight by the governing body.

### **Report on 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 financial statements. 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


### **The District's Response to Findings**

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the forementioned finding. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, the Firm expresses no opinion on the response.

### **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 25, 2023**