

CITY OF VAN BUREN COUNTY WATER ASSOCIATION

MARCH 31, 2021 AND 2020

VAN BUREN COUNTY WATER ASSOCIATION

MARCH 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis.....	11
Budget Comparison Schedule	12
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	13

JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552

FAX (479) 968-8855

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Van Buren County Water Association
Clinton, Arkansas

We have audited the accompanying financial statements of the City of Van Buren County Water Association, as of and for the years ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Association's basic 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; this includes 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Van Buren County Water Association, as of March 31, 2021 and 2020, and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 and 12 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2022 on our consideration of the Van Buren County Water Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Van Buren County Water Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the London Municipal Water System's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.



Russellville, Arkansas
March 12, 2022

VAN BUREN COUNTY WATER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 509,442	\$ 547,960
Accounts Receivable, Net of Allow. for Doubtful Accts	107,401	79,315
Inventories	2,400	2,400
Total Current Assets	<u>619,243</u>	<u>629,675</u>
 PROPERTY AND EQUIPMENT (Note 3)		
Water System	10,166,866	10,044,598
Building & Improvements	227,462	227,462
Office Equipment	26,301	26,301
Trucks	164,094	122,944
Land	62,724	62,724
	<u>10,647,447</u>	<u>10,484,029</u>
Less: Accumulated Depreciation	6,064,034	5,849,504
	<u>4,583,413</u>	<u>4,634,525</u>
 OTHER ASSETS		
Cash and Cash Equivalents - Restricted (Note 2)	299,132	340,856
Intangible Costs, Net of Amortization	74,874	78,521
	<u>374,006</u>	<u>419,377</u>
	<u>5,576,662</u>	<u>5,683,577</u>

LIABILITIES

CURRENT LIABILITIES		
Current Maturities of Long-term Debt (Note 4)	70,375	67,280
Accounts Payable	44,296	37,005
Accrued Interest Payable	12,862	12,437
Accrued Expenses	12,003	11,481
Total Current Liabilities	<u>139,536</u>	<u>128,203</u>
 LONG-TERM LIABILITIES		
Long-term Debt (Note 4)	1,771,485	1,841,526
Customer Deposits	62,744	70,165
	<u>1,834,229</u>	<u>1,911,691</u>
	<u>1,973,765</u>	<u>2,039,894</u>

NET ASSETS

Restricted Net Assets	236,388	270,691
Unrestricted Net Assets	3,366,509	3,372,992
	<u>3,602,897</u>	<u>3,643,683</u>
	<u>\$ 5,576,662</u>	<u>\$ 5,683,577</u>

VAN BUREN COUNTY WATER ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Water Revenues	\$ 1,163,996	\$ 1,001,511
Other Income	80,784	66,486
	<u>1,244,780</u>	<u>1,067,997</u>
EXPENSES		
Water Purchases	450,207	322,620
Salaries	204,040	167,376
Utilities	83,824	70,146
Insurance	52,084	49,512
Supplies	65,669	12,678
Office Supplies and Postage	16,422	15,490
Taxes & Licenses	24,424	20,800
Depreciation and Amortization	218,177	204,531
Legal and Accounting	3,000	3,000
Engineering Fees	6,334	4,247
Dues, Subscriptions, and Fees	2,225	930
Directors Fees	2,970	3,595
Repairs and Maintenance	30,921	22,933
Truck Expense	31,870	16,625
Employee Benefits	3,142	2,846
Bank Fees	4,699	4,916
Uniforms	5,767	5,669
Miscellaneous	0	1,264
	<u>1,205,775</u>	<u>929,178</u>
INCOME FROM OPERATIONS	39,005	138,819
NON-OPERATING INCOME (EXPENSE)		
Interest Income	7,178	6,398
Interest Expense	(86,969)	(88,908)
	<u>(79,791)</u>	<u>(82,510)</u>
INCREASE IN NET ASSETS	(40,786)	56,309
NET ASSETS, BEGINNING OF YEAR	<u>3,643,683</u>	<u>3,587,374</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,602,897</u></u>	<u><u>\$ 3,643,683</u></u>

See Independent Auditors' Report and Notes to Financial Statements

VAN BUREN COUNTY WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from Operations	\$ 39,005	\$ 138,819
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:		
Depreciation and Amortization	218,177	204,531
Change in:		
Accounts Receivable	(28,086)	(8,683)
Accounts Payable	7,291	3,249
Accrued Expenses	522	(371)
Customer Deposits	(7,421)	1,845
Total Adjustments	<u>190,483</u>	<u>200,571</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>229,488</u>	<u>339,390</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid on Long-term Debt	(86,544)	(88,908)
Principal Payments on Long-term Debt	(66,946)	(64,015)
NET CASH USED BY FINANCING ACTIVITIES	<u>(153,490)</u>	<u>(152,923)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Water System Improvements	(163,418)	0
Interest Income	7,178	6,398
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(156,240)</u>	<u>6,398</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(80,242)	192,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>888,816</u>	<u>695,951</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 808,574</u></u>	<u><u>\$ 888,816</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Reconciliation of cash to Statements of Net Position		
Unrestricted cash	\$ 509,442	\$ 547,960
Restricted cash	299,132	340,856
	<u><u>\$ 808,574</u></u>	<u><u>\$ 888,816</u></u>

VAN BUREN COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Van Buren County Water Association is a utility operated by the residents of Van Buren County, Arkansas, in an association form governed by an elected board of directors. It is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12.

Fund Accounting

The accounts of the Association are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Association are grouped in the financial statements into one fund type and one generic fund as follows:

Proprietary Funds

Enterprise funds-Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Association uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

Property and Equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

Cash Equivalents

The Association considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash.

Inventories

Inventories are stated at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VAN BUREN COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalization of Interest Costs

The Association capitalizes interest costs as part of the total acquisition costs of construction related to the addition to and/or improvement of facilities. Interest costs capitalized include only the interest incurred during the construction period on debt used to finance the project. The interest capitalization period commences with the first expenditure for the project and continues until the constructed project is substantially complete and ready for its intended use, at which time interest capitalization ceases.

Accounts Receivable and Bad Debts

Accounts receivables are recorded when statements are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Accounts receivables are written off when they are determined to be uncollectible.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash balance is composed of unrestricted and restricted funds as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted		
Water system operating fund	\$ 509,442	\$ 547,960
Restricted		
Depreciation fund	44,733	79,266
Debt service reserve fund	191,655	191,425
Meter deposit fund	<u>62,744</u>	<u>70,165</u>
	<u>299,132</u>	<u>340,856</u>
	<u>\$ 808,574</u>	<u>\$ 888,816</u>

As of March 31, 2021, the USDA/RD debt service reserve fund requirement was \$114,812, which was fully funded by the debt reserve service fund with a balance of \$191,655.

NOTE 3: PROPERTY AND EQUIPMENT

	<u>Balance</u> <u>3-31-2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3-31-2021</u>
Water system	\$ 10,044,598	\$ 122,268		\$ 10,166,866
Building & improvements	227,462			227,462
Office equipment	26,301			26,301
Trucks	122,944	41,150		164,094
Land	<u>62,724</u>	<u>.</u>		<u>62,724</u>
	<u>\$ 10,484,029</u>	<u>\$ 165,418</u>		<u>\$ 10,647,447</u>

VAN BUREN COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 4: LONG-TERM DEBT

Long-term debt at March 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
5.875% note payable to USDA, Rural Development (No.91-05) payable in monthly installments of \$710 including interest, secured by the water system and revenues	\$ 36,805	\$ 42,955
5.0% note payable to ASWCC (No. 35-14-D), payable in annual installments of \$5,828 including interest, secured by the water systems and revenues	60,491	63,160
4.5% note payable to USDA, Rural Development (No.91-06), payable in monthly installments of \$6,783 including interest, secured by the water system and revenues	1,086,859	1,118,388
5.0% note payable to ASWCC (No.00189-WDF-D), principal and interest deferred until 12-1-2012; thereafter, payable in annual installments of \$33,060 including interest, secured by the water system and revenues	274,610	293,062
4.5% note payable to USDA, Rural Development (No. 91-09), payable in monthly installments of \$568 including interest, secured by building	98,960	101,250
4.5% note payable to USDA, Rural Development (No. 91-10), payable in monthly installments of \$227 including interest, secured by building	38,267	39,239
4.125% note payable to USDA, Rural Development (No. 91-12), payable in monthly installments of \$1,263 including interest, secured by water system	<u>245,868</u>	<u>250,752</u>
	1,841,860	1,908,806
Less current maturities	<u>70,375</u>	<u>67,280</u>
	<u>\$ 1,771,485</u>	<u>\$ 1,841,526</u>

The aggregate maturities of long-term debt are as follows:

	Principal	Interest	Total
2022	\$ 70,375	\$ 83,125	\$ 153,500
2023	73,772	79,728	153,500
2024	77,335	76,165	153,500
2025	81,071	72,429	153,500
2026	84,948	68,512	153,500
Thereafter	1,454,359	564,169	2,018,528

NOTE 5: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

Deposits in financial institutions are financial instruments that could potentially subject the Association to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The Association maintains all deposit balances in three financial institutions and at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on deposits. On March 31, 2021 and 2020, all deposits were insured/collateralized.

VAN BUREN COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 6: SCHEDULE OF RATES

Monthly Water Rates:

- a. Minimum charge on first 1,000 gallons \$33.93
- b. Charge of \$11.58 per 1,000 gallons for usage over the initial 1,000 gallons

NOTE 7: RETIREMENT PLAN

The Association has adopted a simplified retirement plan called a "Saving Incentive Match Plan for Employees" or "SIMPLE" plan. The SIMPLE plan adopted by the Association is an IRA-based retirement plan. Contributions to an eligible employee's SIMPLE IRA is limited to (1) employee contributions made under a salary reduction agreement and (2) employer contributions that are made as either "matching contributions" or "non-elective contributions". The Association made "matching contributions" of \$3,142 and \$2,846 during the years ended March 31, 2021 and 2020, respectively

NOTE 8: INSURANCE COVERAGE

Company: Employers Mutual Casualty Company
Policy No.: 2A4-78-13-20
Expiration: 04-15-21
Coverage: Water Department buildings, contents, and equipment

Company: Employers Mutual Casualty Company
Policy No.: 2D4-78-13-20
Expiration: 04-15-21
Coverage: General Liability

Company: Employers Mutual Casualty Company
Policy No.: 2F4-78-13-20
Expiration: 04-15-21
Coverage: Employee Dishonesty

Company: Employers Mutual Casualty Company
Policy No.: 2C4-78-13-20
Expiration: 04-15-21
Coverage: Inland Marine

Company: Employers Mutual Casualty Company
Policy No.: 2E4-78-13-20
Expiration: 04-15-21
Coverage: Business Auto

Company: Employers Mutual Casualty Company
Policy No.: 2H4-78-13-20
Expiration: 04-15-21
Coverage: Workman's Compensation

Company: Employers Mutual Casualty Company
Policy No.: 2J4-78-13-20
Expiration: 04-15-21
Coverage: Commercial Umbrella

Company: Employers Mutual Casualty Company
Policy No.: 2K4-78-13-20
Expiration: 04-15-21
Coverage: Linebacker Public Officials & Employment Practices Liability

VAN BUREN COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 8: INSURANCE COVERAGE (continued)

Company:	Employers Mutual Casualty Company
Policy No:	2Q4-78-13-20
Expiration:	04-15-21
Coverage:	Cyber Solutions

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 12, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

VAN BUREN COUNTY WATER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2021

Van Buren County Water Association's discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the Association's financial activity
- Identify changes in the Association's financial position
- Identify individual fund issues or concerns

Overview of the Financial Statements

The financial statements of the Association reports information about the Association using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the Association's overall financial status.

The Statements of Financial Position present information on all the Association's assets and liabilities with the difference between the two reported as net assets.

The Statements of Activities present information showing how the Association's net assets changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statements of Cash Flows report cash receipts and expenditures that result from operations, financing, and investing activities. These statements provide information regarding sources of cash and use of cash.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Association

The assets of the Association exceeded it liabilities at the close of the most recent fiscal year by \$3,602,897 (net assets).

Total assets amounted to \$5,576,6662 consisting of net capital assets of \$4,583,413 and other assets of \$993,249. Total assets decreased by \$106,915 during the current fiscal year. This decrease was due to the current fiscal year depreciation and amortization of \$214,530, and a net increase in other assets of \$107,615.

Total liabilities amounted to \$1,973,765 consisting of long-term liabilities of \$1,834,229 and other liabilities of \$139,536 Total liabilities decreased by \$66,129 during the current fiscal year. This decrease was due to payments on long term debt of \$77,462, and increase of other liabilities of \$11,333.

The Association experienced a decrease in total cash in the amount of \$80,242 during the current fiscal year. This decrease consisted of a decrease in unrestricted cash in the amount of \$38,518 and a decrease in restricted cash in the amount of \$41,724.

Economic Factors

The Association indicated no changes due to current economic factors.

Request for Information

This report is designed to provide a general overview of the Association's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Van Buren County Water Association, P.O. Box 780, Clinton, Arkansas 72031.

VAN BUREN COUNTY WATER ASSOCIATION
BUDGET COMPARISON SCHEDULE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Water Revenues	\$ 1,163,996	\$ 1,000,000	163,996
Other Income	80,784	70,000	10,784
	<u>1,244,780</u>	<u>1,070,000</u>	<u>174,780</u>
EXPENSES			
Water Purchases	450,207	325,000	125,207
Salaries	204,040	165,000	39,040
Utilities	83,824	73,000	10,824
Insurance	52,084	52,000	84
Supplies	65,669	15,000	50,669
Office Supplies and Postage	16,422	18,000	(1,578)
Taxes & Licenses	24,424	20,000	4,424
Depreciation and Amortization	218,177	206,000	12,177
Legal and Accounting	3,000	3,000	0
Engineering Fees	6,334	3,500	2,834
Dues, Subscriptions, and Fees	2,225	3,000	(775)
Directors Fees	2,970	3,500	(530)
Repairs and Maintenance	30,921	15,000	15,921
Truck Expense	31,870	15,000	16,870
Employee Benefits	3,142	3,000	142
Bank Fees	4,699	6,000	(1,301)
Uniforms	5,767	5,000	767
Miscellaneous	0	5,000	(5,000)
	<u>1,205,775</u>	<u>936,000</u>	<u>269,775</u>
INCOME FROM OPERATIONS	<u>39,005</u>	<u>134,000</u>	<u>(94,995)</u>
NON-OPERATING INCOME (EXPENSE)			
Interest Income	7,178	5,000	2,178
Interest Expense	(86,969)	(90,000)	3,031
	<u>(79,791)</u>	<u>(85,000)</u>	<u>5,209</u>
INCREASE IN NET ASSETS	<u>(40,786)</u>	<u>49,000</u>	<u>(89,786)</u>

JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

TEL (479) 968-2552

FAX (479) 968-8855

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

INDEPENDENT AUDITORS' 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*

Board of Directors
Van Buren County Water Association
Clinton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Van Buren County Water Association which comprise the statement of financial position as of and for the years ended March 31, 2021 and 2020, and the related statements of activities, and cash flows for the years ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A common deficiency in small companies is a lack of proper segregation of duties. Due to the limited number of personnel, the Van Buren County Water Association has inherent limitations involving the segregation of certain accounting functions. The Board of Directors of the Association has been made aware of the deficiency. Their response is that the cost in correcting the deficiency outweighs the benefit, and in doing so accepts the risk involved in the lack of segregation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Jones and Lawton, CPAs, P.A.

March 12, 2022
Russellville, Arkansas

A handwritten signature in cursive script that reads "Jones and Lawton".