

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
Avoca, Arkansas  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2022 and 2021  
and  
INDEPENDENT AUDITOR'S REPORT**

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY**  
**OF THE STATE OF ARKANSAS**  
**Avoca, Arkansas**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Years Ended December 31, 2022 and 2021**

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**Benton Country Water District #1  
Public Water Authority of the State of Arkansas  
Avoca, Arkansas**

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the Benton County Water District #1 Public Water Authority of the State of Arkansas (the District), as of and for the years ended December 31, 2022 and 2021, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2022 and 2021, and the respective changes in financial position, and where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 qualified opinion.

**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 United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Responsibility 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

**Benton County Water District #1  
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Avoca, Arkansas**

- 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 Benton County Water District #1 Public Water Authority of the State of Arkansas'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benton County Water District #1 Public Water Authority of the State of Arkansas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 17 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

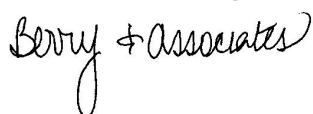
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 information. The accompanying Supplementary Information Required by the USDA Rural Development is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by the USDA Rural Development is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, on our consideration of the District'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 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 District'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 District's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.  
Little Rock, Arkansas  
February 22, 2023

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**STATEMENTS OF NET POSITION**  
**December 31, 2022 and 2021**

	<u><b>ASSETS</b></u>	
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	\$ 261,097	\$ 296,638
Accounts receivable	237,041	139,692
Inventory	164,857	119,454
Prepaid expenses	-	11,028
Total Current Assets	<u>662,995</u>	<u>566,812</u>
<b>NON-CURRENT ASSETS</b>		
<b>RESTRICTED ASSETS</b>		
Cash	1,421,664	1,003,973
Certificates of deposit	83,686	83,317
Total Restricted Assets	<u>1,505,350</u>	<u>1,087,290</u>
Capital assets		
Capital assets, net of accumulated depreciation	<u>6,644,392</u>	<u>6,879,998</u>
Other Assets		
Operating Lease right-of-use assets	<u>1,768</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,814,505</u></u>	<u><u>\$ 8,534,100</u></u>
	<u><b>LIABILITIES AND NET POSITION</b></u>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 35,338	\$ 39,389
Current maturities of long term debt	250,500	243,700
Current portion of operating lease liabilities	900	-
Accrued liabilities	24,908	25,778
Total Current Liabilities	<u>311,646</u>	<u>308,867</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer meter deposits	<u>154,718</u>	<u>147,399</u>
Total Current Liabilities	<u>466,364</u>	<u>456,266</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current maturities	2,371,302	2,622,000
Operating lease liabilities, net of current maturities	868	-
Total Noncurrent Liabilities	<u>2,372,170</u>	<u>2,622,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,838,534</u>	<u>3,078,266</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,022,589	4,014,297
Unrestricted	1,935,931	1,178,528
Temporarily restricted	17,451	263,009
Total Net Position	<u>5,975,971</u>	<u>5,455,834</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 8,814,505</u></u>	<u><u>\$ 8,534,100</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Water revenue	\$ 2,075,712	\$ 1,781,663
Penalty charges	30,454	25,778
Right to water revenue	52,388	68,407
Connections and special service revenue	170,498	165,616
Storage capacity fees	150,935	148,445
Total operating revenues	<u>2,479,987</u>	<u>2,189,909</u>
<b>OPERATING EXPENSES</b>		
Bank charges	14,383	11,676
Depreciation & amortization	274,258	259,502
Insurance	145,897	152,943
Legal & professional	8,900	8,403
Licenses and fees	18,738	16,621
Miscellaneous	44,798	31,661
Office expense	20,019	21,742
Payroll	441,454	386,710
Payroll taxes	34,284	29,964
Repairs & maintenance	148,684	57,543
Retirement expense	9,878	11,945
Agent fees	22,015	24,215
Utilities	18,103	20,269
Vehicle expense	26,980	27,862
Water purchases	677,198	604,040
Total operating expenses	<u>1,905,589</u>	<u>1,665,096</u>
<b>OPERATING INCOME</b>	<u>574,398</u>	<u>524,813</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	112	251
Other income	-	1,577
Interest expense	(57,733)	(67,304)
Rent income	3,600	3,600
Loss on disposal of capital assets	(240)	-
Net non-operating expenses	<u>(54,261)</u>	<u>(61,876)</u>
<b>CHANGE IN NET POSITION</b>	520,137	462,937
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>5,455,834</u>	<u>4,992,897</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,975,971</u>	<u>\$ 5,455,834</u>

The accompanying notes to the financial statements are an integral part of these statements.

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 2,383,649	\$ 2,190,920
Cash payments to employees	(441,454)	(386,710)
Payment of general and administrative expenses	(1,222,028)	(1,083,706)
Net cash provided by operating activities:	<u>720,167</u>	<u>720,504</u>
<b>Cash flows from investing activities:</b>		
Purchase of capital assets	(38,891)	(380,998)
Change in restricted assets	(418,060)	296,046
Other income received	3,600	5,177
Interest earned	112	251
Net cash used by investing activities:	<u>(453,239)</u>	<u>(79,524)</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(243,898)	(467,181)
Interest payments on long-term debt	(58,571)	(69,321)
Net cash used by capital and related financing activities:	<u>(302,469)</u>	<u>(536,502)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(35,541)	104,478
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>296,638</u>	<u>192,160</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 261,097</u>	<u>\$ 296,638</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 574,398	\$ 524,813
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	274,258	259,502
Provision for loss on sale of capital assets	240	-
Amortization of operating lease right of use asset	897	-
(Increase) decrease in-		
Accounts receivable	(97,349)	1,011
Prepaid expense	11,028	659
Inventory and other current assets	(44,806)	(70,465)
Increase (decrease) in-		
Accounts payable	(4,051)	(1,660)
Customer deposits	7,319	6,134
Operating lease liabilities	(897)	-
Accrued liabilities	(870)	510
Net cash provided by operating activities:	<u>\$ 720,167</u>	<u>\$ 720,504</u>
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Non-cash investing and financing activities:		
Recognition operating lease right of use asset and liability	<u>\$ 2,665</u>	<u>\$ -</u>

**The accompanying notes to the financial statements are an integral part of these statements.**

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021**

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

**Organization**

Benton County Water District #1 Public Water Authority of the State of Arkansas (the “District”) is a Public Water Authority created under the State of Arkansas Act 115 of 2001, whose purpose is to provide water service to customers located in the rural areas of Benton County, Arkansas. The District is governed by a board of five members who are appointed for staggered three-year terms.

Effective for the year ending December 31, 2008, the District pursuant to a resolution of the Board of Directors and the members of the Benton County Water District #1, the Arkansas Nonprofit Corporation Act and Arkansas Code Annotated Section 4-35-201, et seq., the District adopted a plan to convert its entity status from that of a nonprofit corporation to a Water District.

**Basis of Presentation and Accounting**

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the District are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (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 accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

**Estimates**

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

**Inventories**

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

**Income Taxes**

The District is a political subdivision of the State of Arkansas and is exempt from income taxes.

**Adoption of GASB 87**

Effective January 1, 2022, the Fund adopted GASB 87, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of GASB 87 did not have a material impact on the Fund's results of operations or cash flows.



**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't**

**Capital Assets**

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 \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. 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 credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	10-40 years
Water and sewer system	5-40 years
Automobiles and equipment	5-15 years
Furniture	5-7 years

**Long-Term Debt and Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance reauthorizing of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**Equity Classifications**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. 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.

*Temporarily Restricted*- This component of net position 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* - This component of net position consists of net position that does not meet the definition of "restricted."

**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 of the District is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperating income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

**Date of Management's Review**

Subsequent events have been evaluated through February 22, 2023 which is the date the financial statements were available to be issued.

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't**

**Restricted Assets**

Certain proceeds of the District's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the District are also considered restricted.

**Receivables**

The District has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2022 management had determined that no accounts needed to be written off.

**NOTE 2 - LONG-TERM DEBT:**

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
Water revenue bond payable to Arkansas Development Finance Authority, \$142,505 due semi-annually, including interest at 1.75% and a 1.00% service fee (1)	\$ 2,032,632	\$ 2,257,215
Loan payable to USDA Rural Development, due \$516/month, including interest at 5.50% (2)	53,259	56,427
Loan payable to USDA Rural Development, due \$2,764/month, including interest at 3.125% (3)	535,911	552,058
	<u>2,621,802</u>	<u>2,865,700</u>
Less Current Portion	<u>(250,500)</u>	<u>(243,700)</u>
Total Long-Term Portion	<u>\$ 2,371,302</u>	<u>\$ 2,622,000</u>

The Arkansas Development Finance District water revenue bond dated September 25, 2008 is a bond with a principal amount of \$4,365,000 bearing 1.75% interest per annum and a 1.00% annual service fee. This is an amortized bond with subsequent semi-annual installments of \$142,505 for principal and interest being made on April 15 and October 15 beginning in 2011. The bond matures in 2030. (1)

The USDA Rural Development loan dated September 21, 1994 in the principal amount of \$100,000 bearing 5.50% interest per annum. This is an amortized loan with subsequent monthly installments of \$516 for principal and interest. The loan matures in 2034. (2)

The USDA Rural Development loan dated October 3, 2017 in the principal amount of \$755,000 bearing 3.125% interest per annum. This is an amortized loan with subsequent monthly installments of \$2,764 for principal and interest. This loan matures in 2045. (3)

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 2 - LONG-TERM DEBT (con't):**

The annual maturities of long-term debt payable at December 31, 2022 are as follows:

	Principal	Interest	Service Fee	Total
2023	\$ 250,500	\$ 54,101	\$ 19,769	\$ 324,370
2024	257,600	49,323	17,447	324,370
2025	265,000	44,309	15,061	324,370
2026	272,500	39,262	12,608	324,370
2027	280,300	33,983	10,087	324,370
2028-2032	942,132	95,267	14,431	1,051,830
2033-2037	130,959	45,317	-	176,276
2038-2042	141,600	24,240	-	165,840
2043-2045	81,211	3,458	-	84,669
	<u>\$ 2,621,802</u>	<u>\$ 389,260</u>	<u>\$ 89,403</u>	<u>\$ 3,100,465</u>

Long-term liability activity for the years ended December 31, 2022 and 2021 is as follows:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Long Term Debt					
Loans	\$ 608,485	\$ -	\$ (19,315)	\$ 589,170	\$ 19,900
Water Revenue Bonds	<u>2,257,215</u>	<u>-</u>	<u>(224,583)</u>	<u>2,032,632</u>	<u>230,600</u>
	<u>\$ 2,865,700</u>	<u>\$ -</u>	<u>\$ (243,898)</u>	<u>\$ 2,621,802</u>	<u>\$ 250,500</u>

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Long Term Debt					
Loans	\$ 627,134	\$ -	\$ (18,649)	\$ 608,485	\$ 19,300
Water Revenue Bonds	<u>2,705,747</u>	<u>-</u>	<u>(448,532)</u>	<u>2,257,215</u>	<u>224,400</u>
	<u>\$ 3,332,881</u>	<u>\$ -</u>	<u>\$ (467,181)</u>	<u>\$ 2,865,700</u>	<u>\$ 243,700</u>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$2,621,802 in loans and revenue bonds. Proceeds from the loans/bonds were used for building of the District's water system and water treatment facility. Principal and interest on the bonds are payable through 2045, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2022 were \$243,898 and \$58,571, respectively. Principal and interest paid in the year ended December 31, 2021 were \$467,181 and \$69,321, respectively.

**NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS:**

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

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS (con't):**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. Agencies and instrumentality bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision, therefore, which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas. The District maintains separate bank accounts, as required by state statutes.

The District's cash consists of deposits with financial institutions and certificates of deposit. State statutes govern the District's investment policies. Permissible investments include direct obligation of the U.S. Government, certificates of deposit and savings accounts. The District's deposits are recorded at cost. The carrying amount of deposits and certificates of deposit are displayed on the statement of net position as cash, certificates of deposit and restricted assets.

At December 31, 2022, all of the District's deposits were properly insured and collateralized.

**NOTE 4 – CAPITAL ASSETS:**

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance at December 31, 2021	Additions	Deletions/ Transfers	Balance at December 31, 2022
Building	\$ 252,925	\$ -	\$ -	\$ 252,925
Equipment	756,501	12,518	(4,625)	764,394
Office Equipment	81,742	-	(2,533)	79,209
Furniture	5,601	-	-	5,601
Land	738,710	-	-	738,710
Water System	9,671,027	-	(2,399)	9,668,628
Vehicle	141,786	26,373	-	168,159
	11,648,292	38,891	(9,557)	11,677,626
Accumulated depreciation	(4,768,294)	(274,258)	9,318	(5,033,234)
Total capital assets, net of accumulated depreciation	\$ 6,879,998	\$ (235,367)	\$ (239)	\$ 6,644,392

	Balance at December 31, 2020	Additions	Deletions/ Transfers	Balance at December 31, 2021
Building	\$ 250,765	\$ 2,160	\$ -	\$ 252,925
Equipment	747,081	9,420	-	756,501
Office Equipment	81,742	-	-	81,742
Furniture	5,601	-	-	5,601
Land	738,710	-	-	738,710
Water System	9,301,609	369,418	-	9,671,027
Vehicle	141,786	-	-	141,786
	11,267,294	380,998	-	11,648,292
Accumulated depreciation	(4,508,792)	(259,502)	-	(4,768,294)
Total capital assets, net of accumulated depreciation	\$ 6,758,502	\$ 121,496	\$ -	\$ 6,879,998

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**NOTE 5–COMMITMENTS:**

The District has made commitments to Deer Haven Utility, LLC (“Deer Haven”) and Dixieland Utility, LLC (“Dixieland”) to bill solid waste fees to customers in the Deer Haven Subdivision and the Dixieland Subdivision. The District agrees to accept payment of solid waste fees that are paid as part of the monthly bills by the District. Monthly payments by customers of the District, Deer Haven, and Dixieland shall first be applied to outstanding water fees to the District for water services and the balance for wastewater fees to Deer Haven and Dixieland. The District remits wastewater fees to Deer Haven and Dixieland every thirty days with a statement showing the sources of the amounts. The District shall receive a fee of \$1 per connection for each monthly invoice billed by the district to Deer Haven and Dixieland customers for wastewater fees. The term of the agreement is July 15, 2020 to be continued indefinitely until further notice.

**NOTE 6 – RESTRICTED ASSETS:**

Restricted assets consist of the following:

	<u>2022</u>	<u>2021</u>
Water Revenue Bonds		
Debt service reserve fund	\$ 262,748	\$ 263,009
ADFA escrow	48,227	47,530
Board designated funds		
Customer meter deposits	182,639	215,908
Capital Improvement Fund	142,537	37,295
Regions CD	9,954	10,282
Right to Water	309,558	268,059
Short Lived Asset	549,687	245,207
	<u>\$ 1,505,350</u>	<u>\$ 1,087,290</u>

The District borrowed \$755,000 from the United States Department of Agriculture. Pursuant to the loan agreement, the District is required to maintain the following accounts with the trustee:

- a. Debt service reserve fund – The District is required to accrue a depreciation reserve at a rate of \$277 a month beginning October 31, 2017 until a total of \$33,168 has accumulated.

**NOTE 7 – OPERATING LEASE:**

The Company entered into a lease agreement with Corporate Business Systems, on March 4, 2020 to lease a copier. The lease term is for a five-year period beginning March 15, 2020 and ending December 15, 2024. Where the implicit interest rate of the lessor was unknown, the District elected to use the national average borrowing rate of 3.10% for the year the lease began. The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2022.

Operating lease right-of-use assets	<u>\$ 1,768</u>
Current portion of operating lease liabilities	\$ 900
Operating lease liabilities, less current portion	<u>868</u>
Total operating lease liabilities	<u>\$ 1,768</u>

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021**

**NOTE 7 – OPERATING LEASE (con’t):**

The lease expense totaled \$922 for the year ended December 31, 2022 and is included in the following expense line item: office expense.

The maturities of the operating lease liability are as follows:

2023	\$	922
2024		922
Total lease payments		<u>1,844</u>
Less: interest		<u>(76)</u>
Present value of lease liability	\$	<u><u>1,768</u></u>

**NOTE 8 – EMPLOYEE BENEFITS:**

The District participates in a section 457 deferred compensation plan administered by the Edward Jones Company. All employees are eligible to participate. The District contributes 3% of the eligible compensation and matches up to 3% of the employee’s contribution. For the years ended December 31, 2022 and 2021, contributions by the District were \$9,878 and \$11,945 respectively.

**NOTE 9 – CONTINGENCIES:**

The District is periodically subject to claims and lawsuits that arise during the ordinary course of business. It is the opinion of management that these lawsuits are without merit. No amount has been accrued in these financial statements since the outcome of this matter is uncertain, and since the resulting liability, if any cannot be determined.



**Berry & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Board  
Benton County Water District #1  
Public Water Authority of the State of Arkansas  
Avoca, AR**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Benton County Water District #1 Public Water Authority of the State of Arkansas, (the District), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do 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 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 in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

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

**The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 purpose.

A handwritten signature in cursive script that reads "Berry & Associates". The signature is written in dark ink and is positioned above the printed name of the firm.

Berry & Associates, P.A.  
Little Rock, Arkansas  
February 22, 2023



**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2022**

**2022-01 Internal Control – Segregation of Duties**

*Criteria:* The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

*Condition:* Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2021.

*Cause:* The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect:* Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation:* We recommend that management and the Board of Directors should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

*View of Responsible Officials:* The District concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the District has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS  
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT  
December 31, 2022**

**GOVERNMENT:**

The Benton County Water District #1 Public Water Authority of the State of Arkansas is governed by a five-member board of directors. The records are maintained by the bookkeeper.

Name	Title
Jerry Lovell	President
Ronnie Smith	Vice President
Larry Mills	Director
Peter Van Zandvoord	Director
Billy Putman	Director
Chris McKenzie	Manager

**USAGE OF THE WATER AND SEWER SYSTEM:**

The current water and sewer rates are shown in the following schedules:

**WATER RATES:**

GALLONS

All Usage  
(Per 1,000 Gal)  
\$ 8.35

Minimum charge based on meter size

5/8' x 3/4' meter	\$ 23.00
1' meter	\$ 30.65
2" meter	\$ 57.50
4" meter	\$ 111.45

As of December 31, 2022, water service was provided to 2,546 users.

Total gallons of water consumed during the year ended December 31, 2022 amounted to 170,813,820.

**ACCOUNTING:**

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are being properly maintained.

**INSURANCE COVERAGE:**

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
<b><u>Property and equipment</u></b>		
Workers Compensation	4/1/2023	Statutory
Walker Brothers Insurance	4/1/2023	
Fidelity Bond	11/22/2023	1,000,000
<b><u>Automotive</u></b>		
Walker Brothers Insurance	4/1/2023	500,000

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>OPERATING REVENUES</b>				
Water revenue	\$ 1,873,066	\$ 1,873,066	\$ 2,075,712	\$ 202,646
Penalty charges	26,000	26,000	30,454	4,454
Right to water revenue	50,000	50,000	52,388	2,388
Connections and special service revenue	322,705	322,705	170,498	(152,207)
Storage capacity fees	148,860	148,860	150,935	2,075
Total operating revenues	2,420,631	2,420,631	2,479,987	59,356
<b>OPERATING EXPENSES</b>				
Bank charges	9,500	9,500	14,383	(4,883)
Depreciation & amortization	-	-	274,258	(274,258)
Insurance	154,000	154,000	145,897	8,103
Legal & professional	8,500	8,500	8,900	(400)
Licenses and fees	18,500	18,500	18,738	(238)
Miscellaneous	12,256	12,256	44,798	(32,542)
Office expense	32,500	32,500	20,019	12,481
Payroll	400,104	400,104	441,454	(41,350)
Payroll taxes	37,143	37,143	34,284	2,859
Repairs & maintenance	84,776	84,776	148,684	(63,908)
Retirement expense	10,500	10,500	9,878	622
Agent fees	-	-	22,015	(22,015)
Utilities	18,000	18,000	18,103	(103)
Vehicle expense	22,500	22,500	26,980	(4,480)
Water purchases	719,650	719,650	677,198	42,452
Total operating expenses	1,527,929	1,527,929	1,905,589	(377,660)
<b>OPERATING INCOME</b>	892,702	892,702	574,398	(318,304)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income	500	500	112	(388)
Interest expense	-	-	(57,733)	(57,733)
Rent income	3,600	-	3,600	3,600
Loss on disposal of capital assets	-	-	(240)	(240)
Net nonoperating revenues (expenses)	4,100	500	(54,261)	(54,521)
<b>CHANGE IN NET POSITION</b>	\$ 896,802	\$ 893,202	\$ 520,137	\$ (373,065)