

SEVIER COUNTY WATER ASSOCIATION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



SEVIER COUNTY WATER ASSOCIATION
JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Sevier County Water Association
De Queen, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sevier County Water Association (the Association), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sevier County Water Association as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Sevier County Water Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sevier County Water Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 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 Sevier County Water Association'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 Sevier County Water Association's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of the Sevier 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 Sevier 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 Sevier County Water Association's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
January 19, 2024

FINANCIAL STATEMENTS

SEVIER COUNTY WATER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 172,304	\$ 169,186
Restricted checking and savings accounts	3,697,158	3,322,943
Accounts receivable, net of allowance for doubtful accounts of \$6,841 and \$2,115 respectively	231,530	215,426
Inventory	25,790	18,921
Deposits	5,230	5,230
Total Current Assets	4,132,012	3,731,706
Property, Plant and Equipment		
Land	38,415	38,415
Buildings	77,739	77,739
Office furniture and fixtures	9,031	9,031
Equipment	312,782	270,094
Water distribution	13,893,020	13,893,020
Water treatment	3,383,400	3,383,400
Water storage tanks	770,521	770,521
Vehicles	179,848	129,234
Construction in progress	25,250	-
Total	18,690,006	18,571,454
Less accumulated depreciation	9,891,891	9,410,776
Total Property, Plant and Equipment	8,798,115	9,160,678
Total Assets	\$ 12,930,127	\$ 12,892,384

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 19,097	\$ 16,100
Accrued wages	3,079	1,881
Accrued compensated absences	35,709	29,292
Payroll taxes payable	2,921	2,764
Sales tax payable	13,932	12,830
Accrued interest	6,015	6,779
Customer deposits	229,348	216,323
Current maturity of long-term debt	202,711	193,833
Total Current Liabilities	512,812	479,802
Long-term Debt	5,857,914	6,090,843
Total Liabilities	6,370,726	6,570,645
Net Assets		
Without Donor Restrictions	6,559,401	6,321,739
Total Net Assets	6,559,401	6,321,739
Total Liabilities Net Assets	\$ 12,930,127	\$ 12,892,384

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,	2023	2022
Unrestricted Revenues and Other Support		
Metered water sales, net of bad debts	\$ 1,762,622	\$ 1,639,521
Connection charges	73,438	77,375
Late charges	36,131	32,983
Other fees and charges	770	95
Gain on disposal of assets	7,000	-
Interest income	40,291	32,039
Total Unrestricted Revenues and Other Support	1,920,252	1,782,013
Expenses		
Program services		
Water distribution	799,042	738,693
Water treatment	423,645	428,297
Administration	459,903	442,681
Total Expenses	1,682,590	1,609,671
Change in Net Assets	237,662	172,342
Net Assets at Beginning of Year	6,321,739	6,149,397
Net Assets at End of Year	\$ 6,559,401	\$ 6,321,739

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			
	Water	Water	Administration	Total
	Distribution	Treatment		
Water purchased	\$ -	\$ 27,899	\$ -	\$ 27,899
Chemicals	-	80,681	-	80,681
Supplies/parts	99	-	731	830
Contract labor	14,955	-	-	14,955
Depreciation	388,366	114,237	215	502,818
Dues & subscriptions	1,291	160	500	1,951
Employee benefits	34,205	11,042	24,863	70,110
Fees	-	-	2,520	2,520
Insurance	25,166	25,166	25,166	75,498
Interest expense	-	-	271,415	271,415
Licenses and permits	543	40	-	583
Other operating expenses	72	-	656	728
Payroll	169,298	38,515	82,241	290,054
Payroll tax expense	12,396	2,773	5,907	21,076
Postage and shipping	-	-	9,724	9,724
Professional fees	215	1,411	17,140	18,766
Office expense	-	-	2,885	2,885
Repairs & maintenance	87,303	68,718	3,171	159,192
Telephone	5,630	-	3,875	9,505
Travel	2,230	-	-	2,230
Utilities	42,897	38,031	8,686	89,614
Uniforms	679	715	208	1,602
Vehicle expense	13,697	14,257	-	27,954
Total Expenses	\$ 799,042	\$ 423,645	\$ 459,903	\$ 1,682,590

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			
	Water	Water	Administration	Total
	Distribution	Treatment		
Water purchased	\$ -	\$ 25,879	\$ -	\$ 25,879
Chemicals	-	72,079	-	72,079
Supplies/parts	10,565	-	83	10,648
Advertising	246	-	-	246
Contract labor	10,697	-	-	10,697
Depreciation	388,366	120,303	215	508,884
Dues & subscriptions	700	150	500	1,350
Employee benefits	26,865	8,436	18,813	54,114
Fees	-	-	2,655	2,655
Insurance	18,326	18,326	18,325	54,977
Interest expense	-	-	282,371	282,371
Licenses and permits	235	104	-	339
Other operating expenses	15	-	2,033	2,048
Payroll	123,225	34,170	74,727	232,122
Payroll tax expense	8,816	9,217	5,524	23,557
Postage and shipping	3,170	-	4,811	7,981
Professional fees	75	2,921	15,867	18,863
Office expense	-	-	2,929	2,929
Repairs & maintenance	81,715	93,860	3,433	179,008
Telephone	7,173	-	2,807	9,980
Travel	2,273	-	-	2,273
Utilities	37,237	33,404	7,391	78,032
Uniforms	619	352	197	1,168
Vehicle expense	18,375	9,096	-	27,471
Total Expenses	\$ 738,693	\$ 428,297	\$ 442,681	\$ 1,609,671

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 237,662	\$ 172,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	502,818	508,884
Gain on disposal of assets	(7,000)	-
(Increase) decrease in:		
Accounts receivable	(16,104)	11,188
Inventory	(6,869)	2,252
Increase (decrease) in:		
Accounts payable	2,997	(4,145)
Accrued wages	1,198	1,037
Accrued compensated absences	6,417	5,462
Payroll taxes payable	157	197
Sales tax payable	1,102	(1,320)
Accrued interest	(764)	(453)
Customer deposits	13,025	10,100
Net Cash Provided By Operating Activities	734,639	705,544
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(140,255)	(76,123)
Proceeds from sale of asset	7,000	-
Net Cash Used By Investing Activities	(133,255)	(76,123)
Cash Flows From Financing Activities		
Principal reduction on debt	(224,051)	(213,406)
Net Cash Used By Financing Activities	(224,051)	(213,406)
Net Increase In Cash, Cash Equivalents, and Restricted Cash	377,333	416,015
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	3,492,129	3,076,114
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 3,869,462	\$ 3,492,129
Reconciliation to the Statement of Financial Position		
Cash and cash equivalents	\$ 172,304	\$ 169,186
Restricted checking and savings accounts	3,697,158	3,322,943
Total Cash, Cash Equivalents and Restricted Cash	\$ 3,869,462	\$ 3,492,129
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 272,179	\$ 282,824

See accompanying notes.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Nature of Operations

Sevier County Water Association (the Association) is an Arkansas non-profit corporation organized to associate its members together for their mutual benefit and to that end to construct, maintain and operate a water system for the supplying of water to its members.

1. Summary of Significant Accounting Policies

a. Recently Issued Accounting Standards

The Association adopted the following standards during the year ended June 30, 2023:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing "right of use" lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. There was no impact from this standard on the Association.

The Association adopted the following standards during the year ended June 30, 2022:

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. This ASU increases the transparency of contributed non-financial assets through enhancements to presentation and disclosure. The Association adopted this ASU during the year and added the appropriate disclosures.

b. Basis of Accounting

The Association recognizes revenue and expenses under the accrual method of accounting. Accordingly, revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

c. Financial Statement Presentation

Net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

c. Financial Statement Presentation (continued)

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets.

d. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services. Occupancy expenses were allocated during the year based on cost.

e. Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

f. Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	Life
Buildings	15-20 years
Office furniture and fixtures	5-10 years
Equipment	5-10 years
Water distribution	20-40 years
Water treatment	5-40 years
Water storage tanks	10-40 years
Vehicles	5-10 years

It is the Association's policy to capitalize all asset purchases.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

g. Inventory

Inventory consists of supplies on hand and is stated at cost on the first-in, first-out method.

h. Advertising

It is the policy of the Association to expense advertising costs as they are incurred.

i. Fair Value Measurement

The Association's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Association's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

j. Estimates

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

2. Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code and a similar section of Arkansas statutes.

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Association's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. Income Tax Status (continued)

The Association has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows.

3. Restricted Funds and Required Accounts

Restricted checking and savings accounts at June 30, consists of the following:

As Of June 30,	2023	2022
Debt service reserve funds	\$ 464,279	\$ 462,158
Depreciation reserve funds	2,984,094	2,634,942
Meter deposit funds	248,785	225,843
Total	\$ 3,697,158	\$ 3,322,943

4. Allowance for Doubtful Accounts

Allowance for doubtful accounts is calculated based on the aging of the Association's accounts receivable, historical experience, and management judgment. The company writes off accounts receivable against the allowance when the company determines a balance is uncollectible and no longer actively pursues collection of the receivable. At June 30, 2023 and 2022, allowance for doubtful accounts had a balance of \$6,841 and \$2,115 respectively.

5. Property, Plant and Equipment

Activity of property, plant and equipment consists of the following:

As Of	July 1, 2022	Additions	Retirements	June 30, 2023
Land	\$ 38,415	\$ -	\$ -	\$ 38,415
Buildings	77,739	-	-	77,739
Office furniture and fixtures	9,031	-	-	9,031
Equipment	270,094	42,688	-	312,782
Water distribution	13,893,020	-	-	13,893,020
Water treatment	3,383,400	-	-	3,383,400
Water storage tanks	770,521	-	-	770,521
Vehicles	129,234	72,317	21,703	179,848
Construction in progress	-	25,250	-	25,250
Total	\$ 18,571,454	\$ 140,255	\$ 21,703	\$ 18,690,006

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. Property, Plant and Equipment (continued)

As Of	July 1, 2021	Additions	Retirements	June 30, 2022
Land	\$ 38,415	\$ -	\$ -	\$ 38,415
Buildings	67,241	10,498	-	77,739
Office furniture and fixtures	9,031	-	-	9,031
Equipment	230,947	39,147	-	270,094
Water distribution	13,866,542	26,478	-	13,893,020
Water treatment	3,383,400	-	-	3,383,400
Water storage tanks	770,521	-	-	770,521
Vehicles	129,234	-	-	129,234
Total	\$ 18,495,331	\$ 76,123	\$ -	\$ 18,571,454

As of June 30, 2023 the Association is working on getting a 120/240 volt gaseous stand-by generator with automatic transfer switch and have spent \$12,750. The generator is on back order, so there is no estimated completion date but the estimated cost is \$25,500.

The Association also started the planning of getting better water pressure. A new line will be added in one location and a booster in another. As of June 30, 2023, \$12,500 has been spent for engineering services. Due to the project being in the planning stages there is no estimated cost or completion date yet.

6. Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Association. Employees can carryforward unused sick and vacation days from year to year. Upon termination from the Association, employees are paid up to forty hours of accumulated unused vacation. No unused accumulated sick pay is paid upon termination.

The Association recognizes its obligation relating to employees' rights to receive compensation for future absences attributable to employees' service already rendered. These rights are accumulated and paid up to a maximum of 240 hours.

At June 30, 2023 and 2022, the Association had accrued \$35,709 and \$29,292 respectively, for vacation and compensated absences.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

7. Long-Term Debt

Long-term debt consists of:

As Of June 30,	2023	2022
Arkansas Natural Resources Commission - \$206,000 loan dated March 1, 1998, payable in annual installments of \$16,530 including interest of 5.00%. The loan is secured by system properties and equipment. The loan is scheduled to mature on December 1, 2027.	\$ 70,771	\$ 83,901
Rural Development - \$1,391,400 loan dated April 29, 1998, payable in monthly installments of \$6,610 including interest at 4.75%. Secured by system properties and revenues. The loan is scheduled to mature on April 29, 2038.	671,901	739,884
Rural Development - \$4,582,128 loan dated October 28, 2003, payable in monthly installments of \$20,620 including interest at 4.50%. Secured by system properties and revenues. The loan is scheduled to mature on October 28, 2043.	3,281,401	3,378,779
Rural Development - \$2,525,000 loan dated September 16, 2008, payable in monthly installments of \$10,883 including interest at 4.125%. Secured by system properties and revenues. The loan is scheduled to mature on September 16, 2048.	2,036,552	2,082,112
Total	6,060,625	6,284,676
Less current portion	202,711	193,833
Long-Term Debt	\$ 5,857,914	\$ 6,090,843

Principal is scheduled to mature as follows:

June 30,	Principal	Interest	Total
2024	\$ 202,711	\$ 271,175	\$ 473,886
2025	211,997	261,889	473,886
2026	221,710	252,176	473,886
2027	231,870	242,016	473,886
2028	241,700	232,186	473,886
2029-2033	1,298,433	988,347	2,286,780
2034-2038	1,428,316	845,244	2,273,560
2039-2043	1,572,441	317,740	1,890,181
2044-2048	640,505	94,954	735,459
2049-2053	10,942	64	11,006
Total	\$ 6,060,625	\$ 3,505,791	\$ 9,566,416

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

7. Long-Term Debt (continued)

Activity of the long-term debt consists of the following:

As Of	July 1, 2022	Debt Additions	Debt Retirements	June 30, 2023
Rural Development	\$ 6,200,775	\$ -	\$ 210,921	\$ 5,989,854
ANRC	83,901	-	13,130	70,771
Total	\$ 6,284,676	\$ -	\$ 224,051	\$ 6,060,625

As Of	July 1, 2021	Debt Additions	Debt Retirements	June 30, 2022
Rural Development	\$ 6,402,434	\$ -	\$ 201,659	\$ 6,200,775
ANRC	95,648	-	11,747	83,901
Total	\$ 6,498,082	\$ -	\$ 213,406	\$ 6,284,676

8. Purchase Contracts

On December 9, 1993, the Association entered into a forty year agreement with Tri-State Regional Water District (the District) to purchase water in De Queen Lake for the purpose of treatment and sale to members. The agreement provides that the District furnish 0.750 millions gallons per day, and reserves for the Association an additional supply of 1.5 million gallons per day for future use.

Under the agreement, the rate the Association is obligated to pay the District for water is determined periodically based upon the District's cost and their contract with the U.S. Government. The Association paid \$27,899 and \$25,879 to the District for water purchases for the years ended June 30, 2023 and 2022, respectively.

9. Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

The Association maintains its operating bank accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. In addition, some deposits are collateralized by the bank through the pledging of securities. The Association's cash balances may, at times, exceed these insured limits. At June 30, 2023 and 2022, all of the Association's deposits were insured and/or collateralized. The Association does not believe that there is any significant risk associated with the concentrations of credit nor has the Association experienced any losses in such accounts.

Accounts receivables are from individuals located within the same geographic region.

SEVIER COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

10. Employee Benefit Plan

The Association has adopted a 401(k) profit sharing plan for its employees. All employees at least eighteen years of age having completed six months of service are eligible to participate. The Association may, at its discretion, contribute a matching amount. For the years ended June 30, 2023 and 2022, the Association made matching contributions of \$29,782 and \$24,424, respectively, to the plan.

11. Risk Management

The Association is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association carries commercial insurance and workers compensation insurance through Employers Mutual Casualty Company.

There has been no significant reduction in the Associations' insurance coverage from the previous year. In addition, there have been no settlements in excess of the Association's coverage in any of the prior three fiscal years.

12. Liquidity and Availability of Financial Assets

The Association manages liquidity and reserves by operating within a prudent range of financial responsibility, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the Association's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

As of June 30,	2023	2022
Cash and cash equivalents	\$ 172,304	\$ 169,186
Restricted checking and savings accounts	3,697,158	3,322,943
Accounts receivable	231,530	215,426
Total financial assets available	4,100,992	3,707,555
Contractual or donor imposed restrictions:		
Restricted cash and cash equivalents	(3,697,158)	(3,322,943)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 403,834	\$ 384,612

13. Subsequent Events

The Association has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2023 through January 19, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REPORT



**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
Sevier County Water Association
De Queen, 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 Sevier County Water Association (the Association) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 weaknesses 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.

Report on 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 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 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
January 19, 2024