

**PARKERS CHAPEL WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
El Dorado, Arkansas
FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021
and
INDEPENDENT AUDITOR'S REPORT**

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
El Dorado, Arkansas
FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021**

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**To the Board of Directors of
Parkers Chapel Water Association Public Water Authority of the State of Arkansas
El Dorado, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the Parkers Chapel Water Association Public Water Authority of the State of Arkansas, ("PCWA"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the PCWA's 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 PCWA as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 PCWA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 PCWA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

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**To the Board of Directors of
Parkers Chapel Water Association Public Water Authority of the State of Arkansas**

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 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.
- 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 PCWA'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 PCWA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management'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.

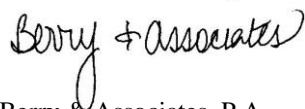
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PCWA's financial statements. The general comments on page 14 are presented for purposes of additional analysis, and is also not a required part of the financial statements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022 on our consideration of the PCWA'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 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 PCWA's internal control over financial reporting and compliance.



Berry & Associates, P.A.
Little Rock, Arkansas
December 5, 2022

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
June 30, 2022 and 2021**

<u>ASSETS</u>		
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 733,648	\$ 633,451
Accounts receivable	54,060	29,822
Total current assets	<u>787,708</u>	<u>663,273</u>
NON-CURRENT ASSETS		
Restricted assets		
Cash and cash equivalents	218,510	202,153
Capital assets, net of accumulated depreciation	3,450,938	2,739,706
Total non-current assets	<u>3,669,448</u>	<u>2,941,859</u>
TOTAL ASSETS	<u>\$ 4,457,156</u>	<u>\$ 3,605,132</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 88,000	\$ 91,298
Accounts payable	5,116	1,450
Subcontractor payable	23,730	17,825
Retainage payable	-	35,689
Other current liabilities	11,472	9,797
Total current liabilities	<u>128,318</u>	<u>156,059</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water deposits payable	<u>52,620</u>	<u>51,560</u>
NON-CURRENT LIABILITIES		
Long-term debt, net of current maturities	<u>1,849,722</u>	<u>1,011,229</u>
TOTAL LIABILITIES	<u>2,030,660</u>	<u>1,218,848</u>
NET POSITION		
Net investment in capital assets	1,513,216	1,637,180
Temporarily restricted	-	61,800
Unrestricted	913,280	687,304
Total net position	<u>2,426,496</u>	<u>2,386,284</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,457,156</u>	<u>\$ 3,605,132</u>

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

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water revenue	\$ 455,110	\$ 445,681
Connection fees	5,336	2,500
Total operating revenues	<u>460,446</u>	<u>448,181</u>
OPERATING EXPENSES		
Contract labor	70,026	67,786
Office labor	17,298	16,368
Insurance	9,677	8,498
Professional fees	14,417	27,222
ADFA fees	12,370	5,663
Telephone and utilities	45,905	44,785
Materials and supplies	9,501	6,974
Office supplies	8,787	7,595
Repairs and maintenance	102,700	115,287
Depreciation	85,906	72,211
Truck expense	4,800	4,800
Line extentions	11,313	9,880
Other expense	9,391	7,043
Total operating expenses	<u>402,091</u>	<u>394,112</u>
OPERATING INCOME	<u>58,355</u>	<u>54,069</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,382	3,296
Other income	-	303,893
Interest expense	(19,525)	(15,547)
Net non-operating revenues (expenses)	<u>(18,143)</u>	<u>291,642</u>
CHANGE IN NET POSITION	40,212	345,711
NET POSITION-BEGINNING OF YEAR	<u>2,386,284</u>	<u>2,040,573</u>
NET POSITION-ENDING OF YEAR	<u>\$ 2,426,496</u>	<u>\$ 2,386,284</u>

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

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Cash flows from customers	\$ 436,208	\$ 482,008
Cash payments for goods and services	<u>(340,821)</u>	<u>(268,882)</u>
Net cash provided by operating activities	<u>95,387</u>	<u>213,126</u>
Cash flows from investing activities:		
Change in restricted cash	(16,357)	(2,712)
Interest earned	<u>1,382</u>	<u>3,296</u>
Net cash provided (used) by investing activities	<u>(14,975)</u>	<u>584</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(797,137)	(846,233)
Proceeds form long-term debt	926,444	572,292
Other income received	-	303,893
Principal payments on long-term debt	(91,249)	(93,934)
Interest paid on long-term debt	<u>(18,273)</u>	<u>(15,794)</u>
Net cash provided (used) by capital and related financing activities	<u>19,785</u>	<u>(79,776)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,197	133,934
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>633,451</u>	<u>499,517</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 733,648</u>	<u>\$ 633,451</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 58,355	\$ 54,069
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	85,906	72,211
(Increase) Decrease in:		
Accounts receivable	(24,238)	33,827
Prepaid expenses	-	10,798
Increase (Decrease) in:		
Accounts payable	3,666	(1,181)
Subcontractor payable	5,905	4,945
Retainage payable	(35,689)	35,689
Other current liabilities	422	1,193
Customer meter deposits payable	<u>1,060</u>	<u>1,575</u>
Total adjustments	<u>37,032</u>	<u>159,057</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 95,387</u>	<u>\$ 213,126</u>

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

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Parkers Chapel Water Association, Inc. (PCWA) was formed on July 29, 1967 as a nonprofit organization, under the laws of the State of Arkansas. On February 4, 2002, the organization was converted into and became reconstituted and re-incorporated as a water authority pursuant to Act 115 of 2001. The purpose of the Parkers Chapel Water Association Public Water Authority of the State of Arkansas is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area. The authority is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

Basis of Presentation and Accounting

The accounts of PCWA are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise PCWA's assets, liabilities, net assets, 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 PCWA is determined by its measurement focus. The transactions of PCWA 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 asset; restricted for debt service; and unrestricted components.

Use of Estimates

Management of PCWA 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

PCWA 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.

Allowance for Bad Debts

No allowance for uncollectible accounts has been established. Allowance for bad debts is determined using the specific write-off method. This method is not in accordance with generally accepted accounting principles, but use of this method is not considered a material misstatement of the financial statements.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. PCWA 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 PCWAs 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 non-operating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't

Capital Assets

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

	<u>Years</u>
Water system	10-50
Equipment	5-7

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of PCWA. 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 assets available, it is PCWA's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

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 refunding 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.

Net Position

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- Consists of capital assets including restricted 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."

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Date of Management's Review

Subsequent events have been evaluated through December 5, 2022, which is the date the financial statements were available to be issued.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopt an annual budget for the Parkers Chapel Water Association. The budget of the PCWA is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at the fiscal year-end.

Restricted Assets

Certain proceeds of the PCWA'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 PCWA are also considered restricted.

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't**Income Taxes**

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

NOTE 2 – PUBLIC FUNDS: DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the PCWA’s name.

NOTE 3 – LONG-TERM DEBT:

Long-term debt at June 30, consists of the following:

	<u>2022</u>	<u>2021</u>
Water Revenue Bond payable to Arkansas Development Finance Authority, due in semi-annual installments of \$20,290, including interest at 2.5% plus fees at 1% secured by system revenues (1)	\$ 470,441	\$ 493,937
Water Revenue Bond payable to Arkansas Natural Resources Commission, due in semi-annual installments of \$36,473, including interest at 2.50%, secured by property and equipment (2)	-	36,298
Water Revenue Bond payable to Arkansas Development Finance Authority, due in semi-annual installments of \$20,290, including interest at 2.5% plus fees at 1% secured by system revenues (1)	<u>1,467,281</u>	<u>572,292</u>
	<u>1,937,722</u>	<u>1,102,527</u>
Less Current Portion	<u>(88,000)</u>	<u>(91,298)</u>
Long Term Portion	<u>\$ 1,849,722</u>	<u>\$ 1,011,229</u>

This revenue bond has no restrictive covenants. (1)

This revenue bond has restrictive covenants, including the requirement to begin accumulating a depreciation reserve accumulated at a rate of 3% of the gross revenues while the bonds are outstanding. (2)

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

	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2023	\$ 88,000	\$ 22,522	\$ 19,158	\$ 129,680
2024	90,100	21,307	18,273	129,680
2025	92,100	20,213	17,367	129,680
2026	94,200	19,039	16,441	129,680
2027	96,200	17,985	15,495	129,680
2028-2032	515,400	70,531	62,469	648,400
2033-2037	577,641	35,397	35,362	648,400
2038-2042	384,081	6,879	10,012	400,972
	<u>\$ 1,937,722</u>	<u>\$ 213,873</u>	<u>\$ 194,577</u>	<u>\$ 2,346,172</u>

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 3 – LONG-TERM DEBT (con't):

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

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Long Term Debt					
Water Revenue Bonds	\$ 1,102,527	\$ 926,444	\$ (91,249)	\$ 1,937,722	\$ 88,000

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Long Term Debt					
Water Revenue Bonds	\$ 624,169	\$ 572,292	\$ (93,934)	\$ 1,102,527	\$ 91,298

The PCWA has pledged future water customer revenues, net of specified operating expenses, to repay \$1,937,722 in long-term debt. Proceeds from the bonds were used for building of the PCWA's water system. Principal, interest, and fees on the bonds are payable through 2042, solely from the water customer net revenues. Principal, interest, and fees paid in the year ended June 30, 2022 were \$91,249, \$18,273, and \$12,370, respectively. Principal, interest, and fees paid in the year ended June 30, 2021 were \$93,934, \$15,794, and \$5,663, respectively.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended June 30, 2022 and 2021 is as follows:

	6/30/2021	Additions	Deletions/Transfers	6/30/2022
Land	\$ 17,324	\$ -	\$ -	\$ 17,324
Water system	2,934,066	1,643,370	-	4,577,436
Equipment	160,123	-	-	160,123
Building improvements	13,620	-	-	13,620
Construction in progress	846,233	-	(846,233)	-
	<u>3,971,366</u>	<u>\$ 1,643,370</u>	<u>\$ (846,233)</u>	<u>4,768,503</u>
Less: accumulated depreciation	(1,231,660)			(1,317,565)
Total Capital Assets	<u>\$ 2,739,706</u>			<u>\$ 3,450,938</u>

	6/30/2020	Additions	Deletions/Transfers	6/30/2021
Land	\$ 17,324	\$ -	\$ -	\$ 17,324
Water system	2,934,066	-	-	2,934,066
Equipment	160,123	-	-	160,123
Building improvements	13,620	-	-	13,620
Construction in progress	-	846,233	-	846,233
	<u>3,125,133</u>	<u>\$ 846,233</u>	<u>\$ -</u>	<u>3,971,366</u>
Less: accumulated depreciation	(1,159,447)			(1,231,660)
Total Capital Assets	<u>\$ 1,965,686</u>			<u>\$ 2,739,706</u>

NOTE 5 - MAJOR CUSTOMERS:

Of the total water revenues, \$455,210 earned in the year ended June 30, 2022; a total of \$47,573 was earned from one customer. These earnings represent approximately 10% of the total revenues earned for water services.

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 6 – RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for bond payments and a depreciation fund (see Note 3).

The following is a list of the restricted cash at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Meter deposits	\$ 52,372	\$ 51,592
Debt service reserves	144,493	143,797
Cash held in trust	21,645	6,764
	<u>\$ 218,510</u>	<u>\$ 202,153</u>



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**To the Board of Directors of
PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
El Dorado, Arkansas**

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*

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 Parkers Chapel Water Association Public Water Authority of the State of Arkansas ("PCWA") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise PCWA's financial statements and have issued our report thereon dated December 5, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCWA'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 PCWA's internal control. Accordingly, we do not express an opinion on the effectiveness of PCWA'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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings 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 PCWA'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 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*.

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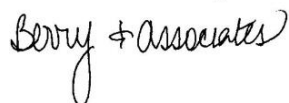
Board of Directors
Parkers Chapel Water Association Public
Water Authority of the state of Arkansas
El Dorado, Arkansas

Response to Findings

PCWA's responses to the findings identified in our audit are described in the accompanying schedule of findings. PCWA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Berry & Associates, P.A.
Little Rock, Arkansas
December 5, 2022

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 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. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2021.

Cause: The PCWA'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 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.

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

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
GENERAL COMMENTS
June 30, 2022**

USAGE OF THE WATER SYSTEM:

As of June 30, 2022 and 2021, the number of active users of the Parkers Chapel Water Association Public Water Authority of the State of Arkansas totaled 983 and 967 respectively.

WATER RATE SCHEDULE:

First 1,000 gallons	\$ 12.60 minimum
Next 5,000 gallons	\$ 3.5 per 1,000 gallons
Next 5,000 gallons	\$ 2.50 per 1,000 gallons
All over 10,000 gallons	\$ 2.25 per 1,000 gallons

**PARKERS CHAPEL WATER ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Water revenue	\$ 505,000	\$ 505,000	\$ 455,110	\$ (49,890)
Connection fees	5,000	5,000	5,336	336
Other income	50	50	-	(50)
Total operating revenues	<u>510,050</u>	<u>510,050</u>	<u>460,446</u>	<u>(49,604)</u>
OPERATING EXPENSES				
Contract labor	66,000	66,000	70,026	(4,026)
Office labor	17,000	17,000	17,298	(298)
Insurance	8,600	8,600	9,677	(1,077)
Professional fees	8,500	8,500	14,417	(5,917)
ADFA fees	6,000	6,000	12,370	(6,370)
Telephone and utilities	66,000	66,000	45,905	20,095
Materials and supplies	18,000	18,000	9,501	8,499
Office supplies	8,000	8,000	8,787	(787)
Repairs and maintenance	188,000	188,000	102,700	85,300
Depreciation	-	-	85,906	(85,906)
Truck expense	5,200	5,200	4,800	400
Line extentions	7,100	7,100	11,313	(4,213)
Other expense	2,900	2,900	9,391	(6,491)
Total operating expenses	<u>401,300</u>	<u>401,300</u>	<u>402,091</u>	<u>(791)</u>
OPERATING INCOME	108,750	108,750	58,355	(50,395)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	3,000	3,000	1,382	(1,618)
Interest expense	-	-	(19,525)	(19,525)
Net non-operating revenues (expenses)	<u>3,000</u>	<u>3,000</u>	<u>(18,143)</u>	<u>(21,143)</u>
CHANGE IN NET POSITION	111,750	111,750	40,212	(71,538)
NET POSITION-BEGINNING OF YEAR	<u>1,953,739</u>	<u>1,953,739</u>	<u>2,386,284</u>	<u>432,545</u>
NET POSITION-ENDING OF YEAR	<u>\$ 2,065,489</u>	<u>\$ 2,065,489</u>	<u>\$ 2,426,496</u>	<u>\$ 361,007</u>