

ST. FRANCIS RIVER REGIONAL WATER DISTRICT

Audited Financial Statements

For the Fiscal Year Ended June 30, 2024

**Thomas, Speight & Noble**  
Certified Public Accountants  
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St. Francis River Regional Water District  
Audited Financial Statements

For the Fiscal Year Ended June 30, 2024

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THOMAS, SPEIGHT & NOBLE, CPAs

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
St. Francis River Regional Water District  
Paragould, Arkansas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of St. Francis River Regional Water District as of and for the years ended December 31, 2023, and the related notes to the financial statements, which collectively comprise St. Francis River Regional Water District 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 of St. Francis River Regional Water District, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year 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 St. Francis River Regional Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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 St. Francis River Regional Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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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 St. Francis River Regional Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Francis River Regional Water District's ability to continue as a going concern for a reasonable period of time.

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

#### ***Other Matters***

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2025, on our consideration of St. Francis River Regional Water 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 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 St. Francis River Regional Water 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 St. Francis River Regional Water District's internal control over financial reporting and compliance.

***Thomas, Speight & Noble, CPAs***

Jonesboro, Arkansas

February 7, 2025

**St. Francis River Regional Water District**  
**Statements of Net Position**  
**For the Fiscal year ended June 30, 2024**

	<u>2024</u>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents - unrestricted	\$ 273,751
Accounts receivable, net of allowance for doubtful accounts	43,212
\$26,490 in 2024	
Unbilled revenues	<u>11,958</u>
Total current assets	328,921
<b>NON-CURRENT ASSETS</b>	
Cash and cash equivalents - restricted	356,852
Capital assets	7,851,034
Less accumulated depreciation	<u>(4,408,829)</u>
Total non-current assets	3,799,057
<b>TOTAL ASSETS</b>	<u><u>\$ 4,127,978</u></u>
<b><u>LIABILITIES AND NET POSITION</u></b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 2,746
Accrued payroll taxes	3,745
Accrued interest	4,153
Accrued sales tax	2,959
Safe drinking water act	6,309
Current portion of long-term debt	<u>132,980</u>
Total current liabilities	152,892
<b>LONG-TERM DEBT, net of current portion</b>	1,908,217
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	
Customer deposits	<u>120,719</u>
<b>TOTAL LIABILITIES</b>	<u>2,181,828</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,401,008
Restricted for debt service	236,133
Unrestricted	<u>309,009</u>
Total net position	1,946,150
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 4,127,978</u></u>

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

**St. Francis River Regional Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2024**

	<u>2024</u>
<b>OPERATING REVENUES</b>	
Water sales	\$ 559,880
Penalties charged	50,275
Other income	31,087
State funding	<u>184,789</u>
Total operating revenue	826,031
<b>OPERATING EXPENSES</b>	
Water purchases	66,711
Contracted services	17,814
Advertising	84
Auto expenses	12,265
Depreciation	202,574
Dues & subscriptions	8,186
Insurance	41,970
Equipment rent	1,301
Fees	983
Repairs & maintenance	55,072
Salaries	173,805
Supplies	16,039
Continuing education	485
Taxes	13,619
Telephone	7,134
Travel	1,275
Meals	147
Utilities	<u>30,920</u>
Total operating expenses	<u>650,386</u>
<b>OPERATING INCOME (LOSS)</b>	175,645
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	11,268
Interest expense	<u>(72,626)</u>
Total non-operating revenues (expenses)	<u>(61,358)</u>
<b>CHANGE IN NET POSITION</b>	114,287
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,831,863</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 1,946,150</u></u>

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

**St. Francis River Regional Water District**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2024**

	<u>2024</u>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers	797,791
Cash payments to suppliers for goods and services	(274,007)
Cash payments to employees	<u>(173,805)</u>
Net cash provided by (used in) operating activities	349,980
<b>Cash flows from capital and related financing activities:</b>	
Principal payments on long-term debt	(127,829)
Interest payments on long-term debt	(72,828)
PPP loan forgiveness	29,800
Purchases of capital assets	<u>(242,638)</u>
Net cash provided by (used in) financing activities	(413,495)
<b>Cash flows from investing activities:</b>	
Interest received	<u>11,268</u>
Net cash provided by (used in) investing activities	<u>11,268</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	(52,248)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>682,851</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 630,603</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 175,645
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	202,574
(Increase)/Decrease In:	
Customer accounts receivable	(13,485)
Prepaid expenses	11,428
Unbilled revenues	(24,692)
Increase/(Decrease) In:	
Accounts payable	954
Accrued payroll taxes	(3,950)
Accrued interest	(1,771)
Safe drinking water act	3,304
Customer deposits	<u>(28)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u><u>\$ 349,980</u></u>

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

**St. Francis River Regional Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

Organization

The St. Francis River Regional Water District (the “District”) was organized as a public nonprofit organization on July 27, 1987, in accordance with the provisions of Title 21 and Chapter 14 of the Arkansas Code of 1956 Annotated. The purpose of the District is to provide safe, high quality water services to our community, while maintaining a standard of excellence in customer service and environmental conservation. The District is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

The District serves sections of Greene, Craighead, and Clay counties. The District is governed by a board of directors consisting of seven qualified voters residing in the three counties mentioned. Election of officers is by majority vote of the members of the board present at the election. No board member shall receive compensation, whether in form of a salary or per diem.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled revenues are recorded at year end.

Measurement Focus and Financial Statement Preparation

The term “measurement focus” is used to denote what is being measured and reported in the District’s operating statement. The District is accounted for by the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The District adopted provisions of Governmental Accounting Standards Board Statement No. 34 “*Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.” Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. It requires classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt—This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same statement of net position component as unspent proceeds.
- Restricted—This component of net position consists of constraints placed on asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets—This component of net position consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Accounts Receivable, net of allowance for doubtful accounts

The District allowance for doubtful accounts is based on a rolling balance. Accounts receivables are ordinarily due 30 days after the issuance of an invoice. Once the customer’s account passes such a date the water is shut off. All new residential and commercial customers are required to place a utility deposit with the District. This deposit is applied to any outstanding balance in the customer’s account.



**St. Francis River Regional Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

Capital Assets

Fixed assets are recorded at historical cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using the straight-line method. Service lives by type of asset are as follows:

Water and Sewer Systems	50 Years
Buildings	40 Years
Vehicles & Equipment	5-10 Years

Use of Estimates

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

Use of FASB Pronouncements

The District uses Financial Accounting Standards Board (FASB) pronouncements that do not conflict with pronouncements of the Government Accounting Standards Board (GASB).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the District considers all and highly liquid investments with an original maturity of twelve months or less to be cash equivalents.

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.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**NOTE 2: CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2024:

	<u>2024</u>
Engineering, legal & admin	\$ 969,625
Equipment	384,470
Tanks, wells, lines & building	6,337,725
Vehicles	111,524
Land	47,689
Less: accumulated depreciation	<u>(4,408,829)</u>
Capital Assets, net of accumulated depreciation	<u><u>\$ 3,442,204</u></u>

**St. Francis River Regional Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 3: CUSTODIAL CREDIT RISK OF BANK DEPOSITS AND INVESTMENTS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposit policy for custodial risk is compliant with bond requirements. Due to the dollar amounts of cash deposits and investments, and the limits of the Federal Deposit Insurance Corporation (FDIC), the District was required to secure additional deposits by pledging securities held by the pledging financial institution's trust department or agent at year end June 30, 2024. At year end June 30, 2024, the District had bank deposits in the amount of \$648,721. There are no unsecured cash deposits as of June 30, 2024.

**NOTE 4: RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**NOTE 5: LONG-TERM DEBT**

Long-term debt on June 30, 2024, consisted of the following:

	<u><b>2024</b></u>
2015 Water Revenue Bond issue – First National Bank, 3.500%, \$3,000,000; principal and interest payable monthly beginning May 10, 2015; matures April 10, 2037.	2,024,259
2017 Water Revenue Bond issue – Arkansas Natural Resources Commission, 2.750%, \$51,500; principal and interest payable annually beginning December 1, 2017; matures December 1, 2026.	16,938
	<u><b>\$ 2,041,197</b></u>

All bonds are secured by revenues and the water system of the District.

Maturities and analysis of long-term debt changes to the District's long-term debt are as follows:

	<u><b>2024</b></u>
Total long-term debt at beginning of year	\$ 2,169,026
Note payable retirements	(127,829)
Debt proceeds	-
Total long-term debt at the end of the year	2,041,197
Less: current portion	(132,980)
Long-term debt, net of current portion	<u><u><b>\$ 1,908,217</b></u></u>

**St. Francis River Regional Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 5: LONG-TERM DEBT (Continued)**

Maturities of long-term debt on June 30, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	132,980	69,045	202,025
2026	137,666	64,360	202,026
2027	142,512	59,508	202,020
2028	141,578	54,487	196,065
2029	146,613	49,451	196,064
2030-2034	815,095	165,227	980,322
2035-2039	524,753	26,329	551,082
	<u>\$ 2,041,197</u>	<u>\$ 488,407</u>	<u>\$ 2,529,604</u>

Interest expenses were \$72,626 for the year ended June 30, 2024.

The District's bond agreement with First National Bank discloses that if an event of default occurs, or if the District defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Resolution, the Trustee may, and upon the written request of the registered owners of not less than 10% in principal amount of the then outstanding Series 2015 Bonds, shall, by proper suit, compel, by mandamus or otherwise, the performance of the duties of the officials of the District under the laws of Arkansas. And in the case of a default in the payment of the principal of and interest on any of the Series 2015 Bonds, the Trustee may and upon written request of the registered owners of not less than 10% in principal amount of the then outstanding Series 2015 Bonds, shall apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the District and the registered owners of the Series 2015 Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Series 2015 Bonds and interest outstanding and to apply Revenues in conformity with the laws of the State and with the Resolution. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the District.

The District's outstanding note to the Arkansas Natural Resources Commission (ANRC) contains a provision that in the event of a default of the note, including a failure to comply with any covenant, term, or condition therein, ANRC may exercise any remedy available by law or in equity in order to cause the District to comply with the provisions of the note.

**NOTE 6: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The District has a number of financial instruments (i.e., cash in depositories, accounts receivable, accounts payable, notes payable, etc.), none of which are held for trading purposes. The District estimates that the fair value of all financial instruments on June 30, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The estimated fair value amounts have been determined by the District using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the District could realize in a current market exchange.

**NOTE 7: STATE FUNDING**

During the year ended June 30, 2024, the Arkansas Department of Transportation reimbursed the District a total of \$182,479 on a major repair project to relocate water lines. The entirety of the funds was spent on these projects.

**St. Francis River Regional Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE 8: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 7, 2025, the date on which the financial statements were available to be issued.



THOMAS, SPEIGHT & NOBLE, CPAs

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MEMBER OF THE PRIVATE COMPANIES SECTION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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  
St. Francis River Regional Water District  
Paragould, 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 St. Francis River Regional Water District, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise St. Francis River Regional Water District's basic financial statements and have issued our report thereon dated February 7, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Francis River Regional Water District'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 St. Francis River Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Francis River Regional Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be material weakness.

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## **Report on Compliance and Other Matters**

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

## **St. Francis River Regional Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the St. Francis River Regional Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. St. Francis River Regional Water 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.

*Thomas, Speight & Noble, CPAs*

Jonesboro, Arkansas

February 7, 2025

St. Francis River Regional Water District  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2024

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weakness(es) identified?

x Yes    No

Any significant deficiency(ies) identified?

   Yes x No

Any noncompliance material to financial statements noted?

   Yes x No

**Section II - Financial Statement Findings**

**Finding: 2024-001**

**Material Weakness - Internal Control over Financial Reporting**

**Segregation of duties**

Condition: St. Francis River Regional Water District does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the District's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: The District's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.