

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY
P.O. BOX 203
LAKEVIEW, ARKANSAS 72642
(870) 431-8777

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021

BRIAN L. HAAS
CERTIFIED PUBLIC ACCOUNTANT
1616 HIGHWAY 62 WEST
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(870) 424-2181

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeview Midway Public Water Authority
P.O. Box 203
Lakeview, AR 72642

Report on the Financial Statements

I have audited the accompanying financial statements of Lakeview Midway Public Water Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeview Midway Public Water Authority as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principals generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 8 and 26 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Governmental Assistance, Schedule of Other Revenue, Employee Benefits and Purchased Services, Schedule of Supplies and Other Expenses, Board of Directors, Insurance Coverage, Water Rate schedule and Users by Class is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, I have also issued my report dated November 17, 2022, on my consideration of Lakeview Midway Public Water Authority's internal control over financial reporting and on my 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 my 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 Lakeview Midway Public Water Authority's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Brian Haas", is positioned above the printed name.

Brian L. Haas, CPA
Mountain Home, AR 72653

November 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lakeview Midway Public Water Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2021. Please read it in conjunction with the Authority's financial statements, which follow this section.

The Lakeview Midway Public Water Authority's financial statements consist of only one proprietary fund. The Board operates a water utility for customers (water users) on a fee for services and related costs basis. The Board is a non-profit entity. The Authority was reorganized into a water board according to Arkansas law effective October 12, 2007.

FINANCIAL HIGHLIGHTS

As of December 31, 2021:

- The Authority's assets exceeded its liabilities by \$1,714,820 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,566,051.
- Total net assets are comprised of the following:

Capital assets, net of related debt of \$1,145,168 including property and equipment net of accumulated depreciation.
- Net assets of \$186,369 are restricted by constraints imposed by outside the Authority, such as debt covenants, grantors, laws or regulations.
- Unrestricted net assets of \$383,283 represent the portion available to maintain ongoing operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The Authority's annual audit report includes three major financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses accrual basis accounting as in the private sector.
- The first of these statements is the Statement of Net Position. This is the Authority's statement of financial position presenting information that includes all of the Authority's assets and liabilities with the difference reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating.
- The second statement is the Statement of Revenues, Expenses, and changes in Fund Net Position that reports how the Authority's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Revenues, Expenses, and changes in Fund Net Position is to show the effectiveness of the Authority's rate structure and related revenues to adequately

cover the operational costs of providing water services to the Authority's membership.

- The third major statement is the Statement of Cash Flows. This statement presents cash flows provided by operations, investing and financing on a net change basis.

REQUIRED FINANCIAL STATEMENTS

- The financial statements of the Authority uses accounting methods similar to those used by private sector companies. This statement offers short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority's creditors (liabilities). These also provide the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.
- All of the prior years' and current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and changes in Fund Net Position. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.
- The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operation, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting periods.

FINANCIAL ANALYSIS OF THE AUTHORITY

- The Authority's net fund position increased due to an excess of revenue over operating expenses of \$206,989. There was a decrease of \$60,381 from interest expense. Total revenues were up from 2020 by \$87,184 to \$1,404,301. Total operating expenses were up from 2020 by \$109,618; \$1,197,312 compared to \$1,087,694 in 2020.

NET FUND POSITION

- To begin our analysis, a summary of the Authority's Statements of Fund Net Position are presented in Table A-1.

Table A-1
The Authority's Fund Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 476,006	\$ 332,523
Capital and non-current assets	<u>2,765,659</u>	<u>2,838,346</u>
Total assets	3,241,665	3,170,870
Current liabilities	185,390	86,935
Long-term liabilities	<u>1,341,455</u>	<u>1,517,885</u>
Total liabilities	<u>1,526,845</u>	<u>1,604,820</u>
Net assets	<u>\$ 1,714,820</u>	<u>\$ 1,566,050</u>
Invested in capital assets net of related debt	\$ 1,145,168	\$ 1,186,578
Restricted	186,369	191,617
Unrestricted	<u>383,283</u>	<u>187,855</u>
Total net assets	<u>\$ 1,714,820</u>	<u>\$ 1,566,050</u>

The Authority's net assets increased by \$148,770 over 2020. Additional information regarding capital assets is available in the Notes to the Basic Financial Statements.

A portion of the net assets is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net assets may be used to fund the Authority's programs in the next fiscal year. However, this does not mean that the Authority has a significant surplus of resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources. The balance has remained similar to the prior years.

BUDGETARY HIGHLIGHTS

For 2021, the Authority's revenues were higher than budgeted estimates by \$93,433. Total operating expenses were approximately \$17,498 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

- Capital Assets

At the end of 2021, the Authority had invested \$4,613,129 in a broad range of assets, including land, water distribution system, equipment and vehicles.

This was a \$65,041 increase from 2020. Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements.

Land	\$	15,946
Water system		3,269,955
Machinery & equipment		929,405
Vehicles		79,803
Buildings		287,679
Construction in progress		<u>30,341</u>
		4,613,128
Total accumulated depreciation		<u>(2,263,624)</u>
Net capital assets	\$	<u><u>2,349,504</u></u>

- Debt Administration

At the end of 2021, the Authority's long-term debt consisted of the following:

First National Banking Company	\$	<u>1,319,148</u>
Total long-term debt	\$	<u><u>1,319,148</u></u>

More information about the Authority's debt is presented in the Notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In September of 2021 Mountain Home raised the wholesale water rates to Lakeview Midway Public Water Authority (LMPWA) to \$5.30 per 1,000 gallons. At that time LMPWA raised their water rates on September 15, 2021 to \$10.35 per 1,000 gallons.

Water loss and meters are still a major concern for the Authority. The meter replacement program was implemented in 2017 and as of 2021 we have installed 1031 new meters with approximately 719 remaining.

The Authority's appointed officials considered many factors when setting the fiscal year 2022 budget, rates and fees that will be charged for the business type activities.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

- This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Authority's Board President at:

Lakeview Midway Public Water Authority
P.O. Box 203
Lakeview, AR 72641

(870) 431-8777

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF NET FUND POSITION
December 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 315,444
Assets whose use is limited - required for current liabilities (Notes 2 and 4)	-
Customer accounts receivable, net of allowance for doubtful accounts of \$-0- in 2021	117,141
Prepaid expense	(77)
Inventory	43,497

TOTAL CURRENT ASSETS	476,006
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Assets whose use is limited (Note 2)	301,344
Less assets whose use is limited that are required for current liabilities	-

NON-CURRENT ASSETS WHOSE USE IS LIMITED	301,344
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Utility plant in service, less accumulated depreciation of \$2,263,624 in 2021 (Notes 1 and 3)	2,349,515
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Other assets

Organization expense - net	114,801
Security and other deposits	-

TOTAL OTHER ASSETS	114,801
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TOTAL ASSETS	\$ 3,241,665
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LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF NET FUND POSITION

December 31, 2021

LIABILITIES AND NET FUND POSITION

CURRENT LIABILITIES:

Current installment of long-term debt (Note 4)	\$ 92,668
Accounts payable	77,259
Accrued payroll taxes payable	2,767
Accrued sales tax payable	7,352
Safe water act fee	5,342

TOTAL CURRENT LIABILITIES	<u>185,390</u>
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OTHER LIABILITIES:

Meter deposits payable	114,975
Long-term debt, net of current maturities (Note 4)	<u>1,226,480</u>

TOTAL OTHER LIABILITIES	<u>1,341,455</u>
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TOTAL LIABILITIES	<u>1,526,845</u>
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NET FUND POSITION:

Property and equipment net of depreciation and related debt	1,145,168
Temporarily restricted	186,369
Unrestricted	<u>383,283</u>

TOTAL NET FUND POSITION	<u>1,714,820</u>
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TOTAL LIABILITIES AND NET FUND POSITION	<u><u>\$ 3,241,665</u></u>
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LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE:

Water revenue	\$ 1,212,782
Other revenue	<u>191,520</u>

TOTAL REVENUE	1,404,301
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OPERATING EXPENSES:

Salaries	159,085
Employee benefits (page 23)	41,399
Purchased services (page 24)	734,732
Supplies and other expenses (25)	122,297
Depreciation expense	<u>139,799</u>

TOTAL OPERATING EXPENSE	<u>1,197,312</u>
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Excess of revenue over expense from operations	206,989
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NON-OPERATING REVENUE (EXPENSE):

Interest income	1,264
Interest expense	(60,381)
Gain on sale of asset	<u>900</u>

TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(58,218)</u>
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Change in net fund position	148,771
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NET FUND POSITION AS OF BEGINNING OF YEAR	<u>1,566,051</u>
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NET FUND POSITION AS OF END OF YEAR	<u><u>\$1,714,820</u></u>
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See accompanying notes to financial statements.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 350,366
Cash payments to suppliers for goods and services	0 #
Cash payments for employees' services and payroll taxes	<u>0</u>
Net cash provided (used) by operating activities	<u>350,366</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received from (transferred to) restricted assets	388
Cash received from meter deposits, net of refunds	<u>4,860</u>
Net cash used by non-capital financing activities	<u>5,248</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from borrowing	-
Cash used to reduce loans payable	(88,623)
Cash received for interest income	1,264
Cash used for interest expense	<u>(60,381)</u>
Net cash used by capital financing activities	<u>(147,740)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash used to purchase property and equipment	(69,874)
Proceeds	<u>3,350</u>
Net cash flows used by (applied to) investing activities	<u>(66,524)</u>

Net increase (decrease) in cash and cash equivalents	<u>141,350</u>
Cash and cash equivalents at beginning of year	<u>174,094</u>
Cash and cash equivalents at end of year	<u><u>\$ 315,444</u></u>

See accompanying notes to financial statements.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 206,989 #
Depreciation expense	139,799
Changes in:	
Accounts receivable	(350)
Accounts payable	8,933
Sales tax payable	22
Payroll tax payable	(3,207)
Safe water fee	38
Inventory	(1,858)
Net cash provided by operating activities	<u>\$ 350,366</u>

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

\$ -

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

ORGANIZATION

The company is organized under Arkansas law as a public water authority as a body politic, a non-corporate entity.

BASIS OF ACCOUNTING

The Authority recognized revenues and expenses under the accrual method of accounting. Revenues are recognized when earned and expenses in the period incurred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by Board designation or other payers.

INVENTORIES

Inventories were counted and priced at lower of cost (first-in, first-out) or market. The first in first out method is used for costing movement of the inventory.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment assets include land, buildings, improvements, equipment and water system infrastructure. Purchased property, plant and equipment assets are recorded at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets. The lives can range from 5 years for tangible personal property up to 25 years on infrastructure assets. The capitalization policy is \$250 on equipment and \$2,000 on improvements and other assets.

The costs of assets retired from service are credited to the appropriate property, plant, and equipment account and costs of removal are charged to operation in the year incurred.

Maintenance, repairs, and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)PROPERTY, PLANT, AND EQUIPMENT (continued)

Property, plant, and equipment are stated at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets.

Depreciation expense for the year ended December 31, 2021 was \$139,799.

	Capital assets, depreciated					Capital assets not depreciated	Total
	Land rights	System & improve.	Machinery & equipment	Vehicles	Buildings	Construction in progress	
Balance, December 31, 2020	\$ 15,946	\$ 3,265,955	\$ 684,533	\$ 79,803	\$ 287,679	\$ 214,163	\$ 4,548,079
Additions		4,000	247,321				251,321
Dispositions			(2,450)			(183,822)	(186,272)
Balance, December 31, 2021	15,946	3,269,955	929,405	79,803	287,679	30,341	4,613,128
Accumulated depreciation							
Balance, December 31, 2020	0	1,323,835	629,899	79,036	98,297	0	2,131,067
Increases		67,191	60,474	767	6,575		135,007
Decreases			(2,450)				(2,450)
Balance, December 31, 2021	0	1,391,026	687,924	79,803	104,872	0	2,263,624
Capital assets - net	\$ 15,946	\$ 1,878,929	\$ 241,481	\$ 0	\$ 182,807	\$ 30,341	\$ 2,349,504

APPLICATION OF RESTRICTED ASSETS

When expenditures are incurred for which both restricted and unrestricted net assets are available, the policy is to use restricted assets first and unrestricted assets only after unrestricted assets are depleted.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

INCOME TAXES

Lakeview Midway Public Water Authority is a non-corporate, public water authority which is exempt from federal income taxes.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Authority uses the direct write-off method of accounting for bad debts. This method is not in accordance with generally accepted accounting principles. Management has determined that the direct write-off method is not materially different than using an allowance account which is generally accepted. No allowance for uncollectible accounts has been provided since historically such accounts have been minimal. Accounts are written off when deemed uncollectible.

ACCOUNTING RECORDS

The financial statements are in agreement with the accounting records of the Authority.

PHYSICAL CONTROL

The physical control over assets appears to be adequate.

INFRASTRUCTURE (GASB 34)

Under the transition provisions of GASB 34, the Authority is not required to retroactively report major general infrastructure assets. There were additions to the infrastructure of the water system for the year ended December 31, 2021 consisting of construction in progress and machinery and equipment.

BUDGETS AND BUDGETARY ACCOUNTING

Enterprise Fund service delivery levels are determined by the context of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with the changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

The budget for operations is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that applicable purchases are expected to be made.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

INTANGIBLE ASSETS

Intangible assets are amortized using the straight line method over the estimated life of the asset.

NOTE 2 - ASSETS WHOSE USE IS LIMITED

Arkansas Accounting Statutes stipulate that all revenues shall be set aside into a separate account to be designated. The revenue fund account and monies so deposited therein shall be expended and used only in the manner and order as follows:

(A) DEBT SERVICE ACCOUNT

From the monies set aside and deposited in the revenue fund account, there shall first be paid and deposited in the debt service account each month an amount that will be sufficient to pay one-third (1/3) of the annual installment on the loan next becoming due and to provide and maintain a debt service reserve of \$44,179.

The debt service fund consists of the following:

	<u>2021</u>
Integrity First Bank	<u>\$ 50,000</u>
Total funds in debt service fund	50,000
Fund requirements	<u>44,179</u>
FUNDS IN EXCESS OF REQUIREMENTS	<u>\$ 5,821</u>

This bank listed above is insured by the Federal Government and is adequately collateralized.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - ASSETS WHOSE USE IS LIMITED (CONTINUED)

(B) DEPRECIATION ACCOUNT

From the balance remaining in the revenue fund account after deposits in the debt service account and operation and maintenance account, there shall be deposited each month in the depreciation account five percent (5%) of the gross revenue until there is accumulated the sum of \$5,000 to be used for the purpose of paying the cost of major repairs of damage caused by an unforeseen catastrophe and for the replacements made necessary by the depreciation of the project facilities.

The depreciation fund consists of the following:

	<u>2021</u>
First Security Bank and Trust	<u>15,869</u>
Total in depreciation fund	15,869
Total Fund requirements	<u>5,000</u>
FUND IN EXCESS OF REQUIREMENTS	<u><u>\$10,869</u></u>

The depreciation and debt service funds which are necessary to meet board requirements are restricted as mentioned above. The amounts in excess of fund requirements have been informally restricted by the Board. The bank listed above is insured by the Federal Government and adequately collateralized.

Subject to the foregoing, any balance in the revenue fund account shall be used for prepaying on the loan or for making improvements to the proper activities.

(C) SUMMARY OF ASSETS WHOSE USE IS LIMITED

The following accounts are restricted by board for future use, note covenants, and board rule to safeguard customer deposits.

	<u>Cash</u>	<u>Certificates of deposits</u>	<u>TOTAL 2021</u>
Debt service fund	\$ -	\$ 50,000	\$ 50,000
Depreciation fund	-	15,869	15,869
Customer deposit fund	17,829	75,000	92,829
Tank reserve & Construction	142,646	-	142,646
Other savings	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 160,475</u>	<u>\$ 140,869</u>	<u>\$ 301,344</u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of the utility plant in service at December 31, 2021 is as follows:

	<u>2021</u>
Land	\$ 15,946
Water system	3,269,955
Machinery & equipment	929,405
Vehicles	79,803
Buildings	287,679
Construction in progress	<u>30,341</u>
	4,613,128
Less accumulated depreciation	<u>(2,263,624)</u>
PROPERTY, PLANT AND EQUIPMENT IN SERVICE, NET	<u><u>\$2,349,504</u></u>

NOTE 4 - LONG-TERM DEBT

A summary of long-term debt at December 31, 2021 follows:

DESCRIPTION:	<u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>2021</u>
Note payable - Bank				
Original \$739,000 installment note dated February 18, 2010. Refinanced after \$210,000 payment for note balance of \$522,216 bearing interest at 4.85% annually, due in monthly installments of \$3,682 each; maturing on April 18, 2032, secured by water system.	\$ 382,494	\$ -	\$ 26,205	\$ 356,288
Original \$1,410,000 installment note bearing interest at 4.25% annually, due in monthly installments of \$8,735 each, maturing on August 18, 2033.	<u>1,025,277</u>	-	62,417	962,859
TOTAL LONG-TERM DEBT	1,407,770	-	88,623	1,319,148
Less current maturities				<u>(92,668)</u>
NET LONG-TERM DEBT				<u><u>\$ 1,226,480</u></u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM DEBT (CONTINUED)

MATURITIES OF LONG-TERM DEBT FOR THE NEXT FIVE YEARS ARE AS FOLLOWS:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 92,668	\$ 56,336
2023	96,856	52,148
2024	101,234	47,770
2025	105,811	43,193
2026	110,596	38,408
2027-2031	632,707	112,313
2032-2036	179,275	6,418
2037-2041	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 1,319,148</u>	<u>\$ 356,585</u>

NOTE 5: FUND REQUIREMENTS

Meter deposits are refundable customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposits totaled \$114,975, with reserve funds of \$92,829 at December 31, 2021, a total of \$22,146 less than the requirement.

NOTE 6: PENSION PLAN

The Authority has a savings incentive match plan (SIMPLE) agreement under Internal Revenue Code section 408(p). The plan is the Lakeview Midway Public Water Authority SIMPLE IRA plan. The plan is a deferred contribution plan administered by Raymond James. Employees make salary reductions. The employer makes matching contributions up to three percent (3%) of employees salary reduction. Participants must be eighteen (18) years old and have been employed for at least one (1) year and have received \$5,000 of compensation. Total contributions by the Authority for employee deferrals for the year were \$3,009. There were no unpaid contributions as of December 31, 2021.

NOTE 7: SUBSEQUENT EVENTS REVIEW

Subsequent events were evaluated by management through November 17, 2022. This is the first date the financial statements were available for issuance.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: COMMITMENT

The Authority has a contract with the City at Mountain Home to purchase water expiring December 5, 2032. The contract requires the Authority to purchase water with no minimum gallonage and not to exceed 250,000,000 gallons per year.

The estimated purchase commitment for the next five (5) years is as follows:

2022	425,000
2023	425,000
2024	425,000
2025	425,000
2026	425,000

The water rate is adjusted annually based on most recent costs of the City of Mountain Home. The rate for 2021 was \$5.25 per 1,000 gallons.

NOTE 10: CUSTODIAL CREDIT RISK

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "cash" and "assets whose use is limited". The Authority does not have a policy for custodial credit risk.

	Carrying Amount
Insured (FDIC) or collateralized	\$ 616,788
Uninsured	-
Total Deposits	<u>\$ 616,788</u>

NOTE 11: CREDIT RISK

The Authority has no formal policy on credit risk. The Authority has relied on the depository institutions to provide sufficient collateralization. The under insured amounts collateralized at December 31, 2021 were covered by bonds held by First Tennessee Bank and Arkansas Banker Bank . The credit ratings on those bonds were MOODY Aa2.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SUPPLEMENTARY INFORMATION

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF OTHER REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

OTHER REVENUE:

Penalty charges	\$ 10,790
Installation charges	4,200
Sales - not taxable	58,327
Service charges	11,789
Miscellaneous	113
Plumbing permits	300
Sales tax discount	1,940
System improvement fees	<u>104,060</u>
TOTAL OF OTHER REVENUE	<u>\$ 191,520</u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF EMPLOYEE BENEFITS:

Health insurance	\$ 25,193
Uniform	855
Payroll taxes	12,343
Retirement plan	<u>3,009</u>
TOTAL EMPLOYEE BENEFITS	<u>\$ 41,399</u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF PURCHASED SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF PURCHASED SERVICES:

Water purchased	\$ 720,413
Utilities	14,319
Advertising	<u>-</u>
TOTAL PURCHASED SERVICES	<u><u>\$ 734,732</u></u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF SUPPLIES AND OTHER EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF SUPPLIES AND OTHER EXPENSES:

Audit	\$ 3,600
Advertising	500
Accounting and legal	4,944
Auto expense - fuel	5,263
Auto expense - maintenance	768
Bank draft charges	(245)
Bad debts	83
Insurance - general	19,172
Miscellaneous	185
Office supplies	3,008
Postage	5,828
Repairs and maintenance	53,768
Miscellaneous shop supplies	2,171
Telephone	8,642
Licenses and dues	3,569
Training	76
Backhoe fuel	261
Billing expense	949
Taxes	1,542
Software	6,095
Call notify service	0
Travel mileage	758
Trash	1,149
Cash short/over	10
Contract labor	200
Rent	0
TOTAL SUPPLIES AND OTHER EXPENSES	<u>\$ 122,297</u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021BUDGETARY COMPARISON

<u>ACCOUNT</u>	<u>Actual</u>	<u>%</u>	<u>Final Budget</u>	<u>%</u>	<u>Variance over(under)</u>	<u>Original Budget</u>
<u>Income</u>						
Water sales	1,212,782	86.3%	\$ 1,147,499	87.5%	\$ 65,283	\$ 1,147,499
Sales - non-taxable	58,327	4.2%	35,000	2.7%	23,327	35,000
Plumbing permits	300	0.0%	300	0.0%	0	300
Penalty revenue	10,790	0.8%	11,000	0.8%	(210)	11,000
System Improvement fees	104,060	7.4%	104,832	8.0%	(772)	104,832
Service charge revenue	11,789	0.8%	9,000	0.7%	2,789	9,000
New Installations - Taps	4,200	0.3%	2,800	0.2%	1,400	2,800
New Installations - Rd Cross	-	0.0%	-	0.0%	0	-
Discounts earned	1,940	0.1%	1,600	0.1%	340	1,600
Miscellaneous income	113	0.0%	-	0.0%	113	-
Sale of asset	900	0.1%	-	0.0%	900	-
Total	<u>1,405,201</u>	100.0%	<u>\$ 1,312,031</u>	100.0%	<u>\$ 93,170</u>	<u>\$1,312,031</u>
<u>Expenses</u>						
Advertising	500	0.0%	\$ 2,000	0.2%	\$ (1,500)	\$ 2,000
Audit fee	3,600	0.3%	4,000	0.3%	(400)	4,000
Auto and travel	6,789	0.6%	13,696	1.2%	(6,907)	13,696
Bad debts	83	0.0%	-	0.0%	83	-
Bank charges	(245)	0.0%	(600)	-0.1%	355	(600)
Billing expense	949	0.1%	1,500	0.1%	(551)	1,500
Dues, permits, fees	3,569	0.3%	3,000	0.3%	569	3,000
Insurance - general	19,172	1.6%	22,000	1.8%	(2,828)	22,000
Insurance - health	25,193	2.1%	37,098	3.1%	(11,905)	37,098
Legal and accounting	4,944	0.4%	2,000	0.2%	2,944	2,000
Contract labor	200	0.0%	-	0.0%	200	-
Training & Licenses	76	0.0%	2,000	0.2%	(1,924)	2,000
Backhoe Fuel	261	0.0%	550	0.0%	(289)	550
Cash short (over)	10	0.0%	10	0.0%	-	10
Miscellaneous	185	0.0%	400	0.0%	(215)	400
Office Supplies	3,008	0.3%	3,500	0.3%	(492)	3,500
Payroll taxes	12,343	1.0%	15,959	1.3%	(3,617)	15,959
Retirement	3,009	0.3%	5,577	0.5%	(2,569)	5,577
Postage	5,828	0.5%	6,425	0.5%	(597)	6,425
Sales tax	1,542	0.1%	1,500	0.1%	42	1,500
Repairs & Maintenance	53,769	4.5%	68,000	5.7%	(14,231)	68,000
Software service	6,095	0.5%	6,000	0.5%	95	6,000
Salaries	159,085	13.3%	193,913	16.3%	(34,828)	193,913
Telephone & Utilities	22,961	1.9%	22,000	1.8%	961	22,000
Trash collection	1,149	0.1%	1,300	0.1%	(151)	1,300
Water Purchases	720,413	60.2%	659,313	55.4%	61,101	659,313
Uniforms	855	0.1%	2,000	0.2%	(1,145)	2,000
Supplies - Shop	2,171	0.2%	1,000	0.1%	1,171	1,000
Rent -Equipment	-	0.0%	500	0.0%	(500)	500
Depreciation	139,799	11.7%	115,200	9.7%	24,599	115,200
Total	<u>1,197,313</u>	100.0%	<u>\$ 1,189,842</u>	100.0%	<u>\$ 7,471</u>	<u>\$ 1,189,842</u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

BOARD OF DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of Directors of Lakeview Midway Public Water Authority was composed of the following individuals at December 31, 2021:

Keith Larson	President	Term ending:	March 2022
Bonie Galvan	Vice-President	Term ending:	March 2024
Melissa Baker	Secretary/Treasurer	Term ending:	March 2022
Danette Gocio	Director	Term ending:	March 2024
Kris Gant	Director	Term ending:	March 2022
Dennis Cross	Director	Term ending:	March 2024
Jerold Steging	Director	Term ending:	March 2024

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

INSURANCE COVERAGE
December 31, 2021

Coverage

GENERAL LIABILITY:

Damage	\$1,000,000
Personal injury	\$1,000,000
Medical	\$5,000

Property	\$1,823,718
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Workman's Compensation	\$500,000
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VEHICLES:

Property damage	\$1,000,000
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Theft loss (per claim and aggregate)	\$1,000,000
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Umbrella	\$1,000,000
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LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

WATER RATE SCHEDULE

December 31, 2021

5/8 INCH METER:

Minimum water bill	\$	23.00	
	\$	10.35	per 1,000 gallons
System Improvement Fee	\$	5.30	per month

1 INCH METER:

Minimum water bill	\$	40.00	
	\$	10.35	per 1,000 gallons
System Improvement Fee	\$	9.20	per month

1-1/2 INCH METER:

Minimum water bill	\$	50.00	
	\$	10.35	per 1,000 gallons
System Improvement Fee	\$	11.50	per month

2 INCH METER:

Minimum water bill	\$	75.00	
	\$	10.35	per 1,000 gallons
System Improvement Fee	\$	17.20	per month

3 INCH METER:

Minimum water bill	\$	225.00	
	\$	10.35	per 1,000 gallons
System Improvement Fee	\$	51.60	per month

None of the above rates include sales tax.

Customers are billed monthly. There is a .40 cents per month safe drinking water act fee charged on each bill. There is also a System Improvement Fee added to each bill in the amounts designated above.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

USERS BY CLASS
December 31, 2021

Customer category (usage in gallons)	Code #	Customer Count
5/8 INCH	7	1512
1 INCH	10	35
1-1/2 INCH	15	4
2 INCH	20	14
2 INCH COMPOUND	23	4
2 INCH OCTAVE METER	21	0
	22	0
3 INCH	30	0
3 INCH FIRE METER ONLY	33	1
		<u>1570</u>

ADDITIONAL INFORMATION:

Water loss figures for the year ended December 31, 2021 are as follows:

Gallons of water purchased	136,895,883
Gallons of water sold and used	<u>82,579,974</u>
Gallons of water lost	<u>54,315,909</u>

Required Supplementary Information - Budget Reconciliation

The differences between legally adopted expenditures for the Authority budgets and generally accepted accounting principles figures are as follows:

(Capitalization of asset expenditures and nonrevenue treatment of loan proceeds.)

Expenditures	Water
Legal budget	\$ 1,189,842
Depreciation	139,799
Capital asset purchases	<u>-</u>
GAAP	<u>\$ 1,329,641</u>

See accompanying independent auditor's 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

Board of Directors
Lakeview Midway Public Water Authority

I 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 Lakeview Midway Public Water Authority which comprise the statement of financial position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net fund position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 17, 2022.

Internal control over financial reporting

In planning and performing my audit of the financial statements, I considered Lakeview Midway Public Water Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeview Midway Public Water Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Lakeview Midway Public Water Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or their 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings that I consider to be significant deficiencies (Findings #1 and #2).

Lakeview Midway Public Water Authority's Response to Findings

Lakeview Midway Public Water Authority's response to the findings identified in my audit is described in the accompanying schedule of findings. Lakeview Midway Public Water Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Prior year findings

Lakeview Midway Public Water Authority's findings and response to the prior year findings are also presented in the schedule of findings. The response was not subject to the audit procedures applied in the audit of the financial statements, and accordingly, I express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakeview Midway Public Water Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal controls and compliance and for 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.



Brian L. Haas, CPA
1616 Highway 62 West
Mountain Home, Arkansas 72653

November 17, 2022

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2021

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Lakeview Midway Public Water Authority.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the report on compliance and internal control. The conditions reported are not a material weakness.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES:

1. Segregation of duties:

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled properly.
Condition:	The company does not have a proper segregation of duties. This condition also existed in prior years.
Causes:	The staff is so small there are only a limited number of people for certain functions.
Effect:	Transactions could be mishandled, which could affect accuracy of the financial statement.
Recommendation:	Duties should be separated as much as possible and alternative controls used to compensate for lack of separation.
Response:	Management has determined that it is not economically feasible to have the necessary segregation of duties required to have a more adequate internal control system.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

2. Establish internal control over financial statement preparation and review:

Criteria:	Management is responsible for establishing and maintaining control and for the fair presentation of the net assets, supplementary information, and disclosures in the financial statements, in conformity with generally accepted accounting standards.
Condition:	Lakeview Midway Public Water Authority does not have a system of internal control that would provide management with reasonable assurance that the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting standards. As such, management requested me to compile and prepare a draft of the financial statements, including the related note disclosures. This condition also existed in prior years.
Cause:	There are limited personnel with proper training and skills to provide the necessary reporting skills for fair presentation of all the financial information.
Effect:	Financial statements and related footnote disclosures and supplementary information required by generally accepted accounting standards, and accounting standards would not be complete.
Recommendation:	Use of an outside consultant to use as an aid to drafting the financial statements.
Response:	Management has determined that it is not economically feasible to acquire an employee capable of drafting the financial statements. These conditions have persisted from prior years into the current year which has not allowed the Authority to improve this aspect of controls.