

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

BRIAN L. HAAS
CERTIFIED PUBLIC ACCOUNTANT
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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

Opinion

I have audited the accompanying financial statements of Lakeview Midway Public Water Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

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, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Lakeview Midway Public Water Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principals 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 that Lakeview Midway Public Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including andy currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatment of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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.

I am 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 I identified during the audit.

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 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. 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 17, 2024, 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.



Brian L. Haas, CPA
Mountain Home, AR 72653
December 17, 2024

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, 2023. 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, 2023:

- The Authority's assets exceeded its liabilities by \$1,830,137 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,796,166.
- Total net assets are comprised of the following:
- Capital assets, net of related debt of \$1,079,923 including property and equipment net of accumulated depreciation.
- Net assets of \$263,597 are restricted by constraints imposed by outside the Authority, such as debt covenants, grantors, laws or regulations.
- Unrestricted net assets of \$486,616 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. The statement Statement of Net Position 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 operations, investing, and financing activities and provides 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 \$89,045. There was a decrease of \$52,369 from interest expense. Total operating revenues were up from 2022 by \$9,690 to \$1,407,217. Total operating expenses were up from 2022 by \$61,916; \$1,318,172 compared to \$1,256,256 in 2022.

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 482,245	\$ 533,329
Capital and non-current assets	<u>2,698,494</u>	<u>2,700,749</u>
Total assets	3,180,739	3,234,079
Current liabilities	202,068	191,626
Long-term liabilities	<u>1,148,534</u>	<u>1,246,286</u>
Total liabilities	<u>1,350,602</u>	<u>1,437,912</u>
Net assets	<u><u>\$ 1,830,137</u></u>	<u><u>\$ 1,796,165</u></u>
Invested in capital assets net of related debt	\$ 1,181,146	\$ 933,295
Restricted	162,374	204,295
Unrestricted	<u>486,616</u>	<u>658,576</u>
Total net assets	<u><u>\$ 1,830,137</u></u>	<u><u>\$ 1,796,165</u></u>

The Authority's net assets increased by \$33,972 over 2022. 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 2023, the Authority's revenues were less than budgeted estimates by \$32,797. Total operating expenses were approximately \$20,588 over budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

- Capital Assets

At the end of 2023, the Authority had invested \$4,698,616 in a broad range of assets, including land, water distribution system, equipment and vehicles.

This was a \$52,515 increase from 2022. Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements.

Land	\$ 15,946
Water system	3,269,965
Machinery & equipment	706,944
Vehicles	79,803
Buildings	287,679
Water Meters	<u>338,280</u>
	4,698,616
Total accumulated depreciation	<u>(2,488,810)</u>
Net capital assets	<u><u>\$ 2,209,807</u></u>

- Debt Administration

At the end of 2023, the Authority's long-term debt consisted of the following:

First National Banking Company	<u>\$ 1,028,659</u>
Total long-term debt	<u><u>\$ 1,028,659</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 2023 Mountain Home raised the wholesale water rates to Lakeview Midway Public Water Authority (LMPWA) to \$5.51 per 1,000 gallons. At that time LMPWA raised their water rates on September 15, 2023 to \$11.00 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 2023 we have installed 1453 new meters with approximately 297 remaining.

The Authority's appointed officials considered many factors when setting the fiscal year 2024 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, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 306,543
Assets whose use is limited - required for current liabilities (Notes 2 and 4)	101,223
Customer accounts receivable, net of allowance for doubtful accounts of \$-0- in 2023	121,759
Inventory	<u>53,943</u>

TOTAL CURRENT ASSETS	583,468
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Assets whose use is limited (Note 2)	383,472
Less assets whose use is limited that are required for current liabilities	<u>(101,223)</u>

NON-CURRENT ASSETS WHOSE USE IS LIMITED	282,249
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Utility plant in service, less accumulated depreciation of \$2,538,562 in 2023 (Notes 1 and 3)	2,209,805
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Other assets

Organization expense - net	105,216
Security and other deposits	<u>0</u>

TOTAL OTHER ASSETS	<u>105,216</u>
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TOTAL ASSETS	<u>\$ 3,180,739</u>
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See accompanying notes to financial statements.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF NET FUND POSITION
December 31, 2023

LIABILITIES AND NET FUND POSITION

CURRENT LIABILITIES:

Current installment of long-term debt (Note 4)	\$ 101,223
Accounts payable	82,690
Accrued payroll taxes payable	5,568
Accrued sales tax payable	7,278
Safe water act fee	<u>5,308</u>

TOTAL CURRENT LIABILITIES	<u>202,068</u>
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OTHER LIABILITIES:

Meter deposits payable	119,875
Long-term debt, net of current maturities (Note 4)	<u>1,028,659</u>

TOTAL OTHER LIABILITIES	<u>1,148,534</u>
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TOTAL LIABILITIES	<u>1,350,602</u>
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NET FUND POSITION:

Property and equipment net of depreciation and related debt	1,181,146
Temporarily restricted	162,374
Unrestricted	<u>486,616</u>

TOTAL NET FUND POSITION	<u>1,830,137</u>
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TOTAL LIABILITIES AND NET FUND POSITION	<u><u>\$3,180,739</u></u>
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LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUE:	
Water revenue	\$ 1,268,195
Other revenue	<u>139,022</u>
TOTAL REVENUE	1,407,217
OPERATING EXPENSES:	
Salaries	200,616
Employee benefits (page 23)	47,008
Purchased services (page 24)	802,367
Supplies and other expenses (page 25)	155,649
Depreciation expense	<u>112,532</u>
TOTAL OPERATING EXPENSE	<u>1,318,172</u>
Excess of revenue over expense from operations	89,045
NON-OPERATING REVENUE (EXPENSE):	
Interest income	2,087
Interest expense	(52,369)
Amortization	<u>(4,792)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(55,074)</u>
Change in net fund position	33,970
NET FUND POSITION AS OF BEGINNING OF YEAR	<u>1,796,166</u>
NET FUND POSITION AS OF END OF YEAR	<u><u>\$1,830,136</u></u>

See accompanying notes to financial statements.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,407,228
Cash payments to suppliers for goods and services	(988,483)
Cash payments for employees' services and payroll taxes	<u>(216,120)</u>
Net cash provided (used) by operating activities	<u>202,625</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received from (transferred to) restricted assets	(62,554)
Cash received from meter deposits, net of refunds	<u>3,250</u>
Net cash used by non-capital financing activities	<u>(59,304)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from borrowing	-
Cash used to reduce loans payable	(96,635)
Cash used for interest expense	<u>(52,369)</u>
Net cash used by capital financing activities	<u>(149,004)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash used to purchase property and equipment	(52,515)
Cash received for interest income	<u>2,087</u>
Net cash flows used by (applied to) investing activities	<u>(50,428)</u>

Net increase (decrease) in cash and cash equivalents	(56,111)
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Cash and cash equivalents at beginning of year	<u>362,654</u>
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Cash and cash equivalents at end of year	<u>\$ 306,543</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, 2023

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

Operating income (loss)	\$	89,045
Depreciation expense		112,532
Changes in:		
Accounts receivable		11
Accounts payable		6,056
Sales tax payable		137
Payroll tax payable		(115)
Safe water fee		(4)
Inventory		(5,037)
Net cash provided by operating activities	\$	<u>202,625</u>

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

\$ -

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023NOTE 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, 2023 was \$112,532.

	Capital assets, depreciated						Total
	Land rights	System & improve.	Machinery & equipment	Vehicles	Buildings	New Meters	
Balance, December 31, 2022	\$ 15,946	\$ 3,269,965	\$ 696,011	\$ 79,803	\$ 287,679	\$ 296,697	\$ 4,646,101
Additions			10,933			41,583	52,515
Dispositions							-
Balance, December 31, 2023	15,946	3,269,965	706,944	79,803	287,679	338,280	4,698,616
Accumulated depreciation							
Balance, December 31, 2022	0	1,458,145	679,128	79,803	111,440	47,762	2,376,278
Increases		65,751	9,519		6,552	30,709	112,532
Decreases							-
Balance, December 31, 2023	0	1,523,896	688,647	79,803	117,992	78,471	2,488,810
Capital assets - net	\$ 15,946	\$ 1,746,069	\$ 18,297	\$ -	\$ 169,686	\$ 259,809	\$ 2,209,807

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, 2023

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, 2023 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, 2023

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>2023</u>
FNBC	<u>\$ 138,340</u>
Total funds in debt service fund	138,340
Fund requirements	<u>44,179</u>
FUNDS IN EXCESS OF REQUIREMENTS	<u><u>\$ 94,161</u></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, 2023

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>2023</u>
First Security Bank and Trust	<u>15,973</u>
Total in depreciation fund	15,973
Total Fund requirements	<u>5,000</u>
FUND IN EXCESS OF REQUIREMENTS	<u><u>\$10,973</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 2022</u>
Debt service fund	\$ 88,340	\$ 50,000	\$ 138,340
Depreciation fund	-	15,973	15,973
Customer deposit fund	-	93,080	93,080
Tank reserve & Construction	-	-	-
Other savings	<u>136,080</u>	<u>-</u>	<u>136,080</u>
	<u><u>\$ 224,420</u></u>	<u><u>\$ 159,053</u></u>	<u><u>\$ 383,473</u></u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of the utility plant in service at December 31, 2023 is as follows:

	<u>2023</u>
Land	\$ 15,946
Water system	3,269,965
Machinery & equipment	706,944
Vehicles	79,803
Buildings	287,679
New Meter	<u>338,280</u>
	4,698,617
Less accumulated depreciation	<u>(2,488,810)</u>
PROPERTY, PLANT AND EQUIPMENT IN SERVICE, NET	<u><u>\$2,209,807</u></u>

NOTE 4 - LONG-TERM DEBT

A summary of long-term debt at December 31, 2023 follows:

DESCRIPTION:	<u>2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>2023</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.	\$ 328,804	\$ -	\$ 28,828	\$ 299,976
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>897,713</u>	-	67,807	<u>829,906</u>
TOTAL LONG-TERM DEBT	1,226,517	-	96,635	1,129,882
Less current maturities				<u>-</u>
NET LONG-TERM DEBT				<u><u>\$ 1,129,882</u></u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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>
2024	101,223	47,781
2025	105,799	43,205
2026	110,583	38,421
2027	115,584	33,420
2028-2032	627,660	84,297
2033-2037	69,034	1,109
2038-2042	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 1,129,882</u>	<u>\$ 248,233</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 \$119,875 with reserve funds of \$93,080 at December 31, 2023, a total of \$26,795 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 \$2,556. There were no unpaid contributions as of December 31, 2023.

NOTE 7: SUBSEQUENT EVENTS REVIEW

Subsequent events were evaluated by management through December 17, 2024. This is the first date the financial statements were available for issuance.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9: COMMITMENT

The Authority has a contract with the City of 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:

2024	425,000
2025	425,000
2026	425,000
2027	425,000
2028	425,000

The water rate is adjusted annually based on most recent costs of the City of Mountain Home. The rate for 2023 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	\$ 690,015
Uninsured	-
Total Deposits	<u>\$ 690,015</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, 2023 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, 2023

OTHER REVENUE:

Plumbing permits	\$ 950
Penalty revenue	12,104
System improvement fees	104,614
Service charges	12,097
Tap Ons	6,514
Discounts	1,917
Misc.	<u>825</u>
 TOTAL OF OTHER REVENUE	 <u><u>\$ 139,022</u></u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF EMPLOYEE BENEFITS:

Health insurance	\$ 27,389
Uniform	1,559
Payroll taxes	15,504
Retirement plan	<u>2,556</u>
TOTAL EMPLOYEE BENEFITS	<u>\$ 47,008</u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF PURCHASED SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF PURCHASED SERVICES:

Water purchased	\$ 789,915
Utilities	12,452
	<hr/>
TOTAL PURCHASED SERVICES	<u><u>\$ 802,367</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, 2023

SCHEDULE OF SUPPLIES AND OTHER EXPENSES:

Advertising	\$ 299
Audit	6,000
Auto expense - fuel	6,904
Auto expense - maintenance	8,227
Backhoe fuel	873
Bad debts	-
Bank draft charges	290
Billing expense	970
Cash short/over	36
Contract labor	-
Dues, permits, & fees	3,902
Insurance - general	24,157
Legal & accounting	1,405
Miscellaneous	-
Postage	7,212
Rent	1,141
Repairs and maintenance	58,178
Software & Call notify service	15,677
Supplies - office	4,060
Supplies - shop	1,253
Taxes - sales on inventory	1,760
Telephone	9,565
Training/license	1,100
Trash	1,551
Travel mileage	1,090
TOTAL SUPPLIES AND OTHER EXPENSES	<u>\$ 155,649</u>

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023BUDGETARY COMPARISON

<u>ACCOUNT</u>	<u>Actual</u>	<u>%</u>	<u>Final</u> <u>Budget</u>	<u>%</u>	<u>Variance</u> <u>over(under)</u>	<u>Original</u> <u>Budget</u>
<u>Income</u>						
Water sales	1,198,314	85.03%	\$ 1,250,500	86.71%	\$ (52,186)	\$ 1,250,500
Sales - non-taxable	69,881	4.96%	59,000	4.09%	10,881	59,000
Plumbing permits	950	0.07%	400	0.03%	550	400
Penalty revenue	12,104	0.86%	11,000	0.76%	1,104	11,000
System Improvement fees	104,614	7.42%	105,000	7.28%	(386)	105,000
Service charge revenue	12,097	0.86%	10,000	0.69%	2,097	10,000
New Installations - Taps	6,514	0.46%	3,500	0.24%	3,014	3,500
New Installations - Rd Cross	-	0.00%	-	0.00%	0	-
Interest Income	2,087	0.15%	1,000	0.07%	1,087	1,000
Discounts earned	1,917	0.13%	1,700	0.12%	217	1,700
Miscellaneous income	825	0.06%	-	0.00%	825	-
Sale of asset	-	0.00%	-	0.00%	-	-
Total	<u>1,409,303</u>	100.00%	<u>\$ 1,442,100</u>	100.00%	<u>\$ (32,797)</u>	<u>\$1,442,100</u>
<u>Expenses</u>						
Advertising	299	0.02%	\$ 600	0.04%	\$ (301)	\$ 600
Audit fee	6,000	0.44%	7,500	0.55%	(1,500)	7,500
Auto and travel	16,221	1.18%	14,000	1.03%	2,221	14,000
Backhoe Fuel	873	0.06%	1,000	0.07%	(127)	1,000
Bad debts & ret checks	-	0.00%	2,000	0.15%	(2,000)	2,000
Bank & ret ck fees	290	0.02%	1,000	0.07%	(710)	1,000
Billing expense	970	0.07%	1,500	0.11%	(530)	1,500
Cash short (over)	36	0.00%	10	0.00%	26	10
Contract labor	-	0.00%	250	0.02%	(250)	250
Dues, Permits, & Fees	3,902	0.28%	3,600	0.27%	302	3,600
Insurance-General	24,157	1.76%	22,000	1.62%	2,157	22,000
Insurance-Health	27,389	1.99%	30,000	2.21%	(2,611)	30,000
Interest expense	52,369	3.81%	60,000	4.43%	(7,631)	60,000
IRA/Employee expense	2,556	0.19%	3,500	0.26%	(944)	3,500
Legal & Accounting	1,405	0.10%	5,000	0.37%	(3,595)	5,000
Misc. expense	-	0.00%	400	0.03%	(400)	400
Payroll expense	200,616	14.59%	195,000	14.39%	5,616	195,000
Payroll taxes	15,504	1.13%	15,000	1.11%	504	15,000
Postage	7,212	0.52%	6,925	0.51%	287	6,925
Rent -Equipment	1,141	0.08%	500	0.04%	641	500
Repairs & Maintenance	58,178	4.23%	70,200	5.18%	(12,022)	70,200
Software service	15,677	1.14%	7,500	0.55%	8,177	7,500
Supplies - Office	4,060	0.30%	3,500	0.26%	560	3,500
Supplies - Shop	1,253	0.09%	3,500	0.26%	(2,247)	3,500
Taxes-Sales Tax	1,760	0.13%	2,000	0.15%	(240)	2,000
Telephone/Fax/Internet	9,565	0.70%	9,700	0.72%	(135)	9,700
Training/License	1,100	0.08%	2,000	0.15%	(900)	2,000
Trash collections	1,551	0.11%	1,300	0.10%	251	1,300
Uniforms	1,559	0.11%	2,000	0.15%	(441)	2,000
Utilities	12,452	0.91%	16,800	1.24%	(4,348)	16,800
Water purchases	789,915	57.43%	750,500	55.40%	39,415	750,500
Depreciation & Amortization	<u>117,324</u>	8.53%	<u>115,959</u>	8.56%	<u>1,365</u>	<u>115,959</u>
Total	<u>1,375,332</u>	100.00%	<u>\$ 1,354,744</u>	100.00%	<u>\$ 20,588</u>	<u>\$ 1,354,744</u>

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

BOARD OF DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of Directors of Lakeview Midway Public Water Authority was composed of the following individuals at December 31, 2023:

Paul Buchen	President	Term ending:	March 2024
Dennis Cross	Vice-President	Term ending:	March 2024
Open position	Director	Term ending:	March 2025
Barbara Wayland	Director	Term ending:	March 2024
Chuck Fiske	Director	Term ending:	March 2025
Deborah Stevens	Director	Term ending:	March 2024
David Scroggs	Director	Term ending:	March 2025

See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

INSURANCE COVERAGE
December 31, 2023

Coverage

GENERAL LIABILITY:

Damage	\$2,000,000
Personal injury	\$1,000,000
Medical	\$5,000

Property	\$2,066,034
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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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See accompanying independent auditor's report.

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

WATER RATE SCHEDULE
December 31, 2023

5/8 INCH METER:

Minimum water bill	\$	23.00	
	\$	11.00	per 1,000 gallons
System Improvement Fee	\$	5.30	per month

1 INCH METER:

Minimum water bill	\$	40.00	
	\$	11.00	per 1,000 gallons
System Improvement Fee	\$	9.20	per month

1-1/2 INCH METER:

Minimum water bill	\$	50.00	
	\$	11.00	per 1,000 gallons
System Improvement Fee	\$	11.50	per month

2 INCH METER:

Minimum water bill	\$	75.00	
	\$	11.00	per 1,000 gallons
System Improvement Fee	\$	17.20	per month

3 INCH METER:

Minimum water bill	\$	225.00	
	\$	11.00	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, 2023

Customer category (usage in gallons)	Code #	Customer Count
5/8 INCH	7	1634
1 INCH	10	36
1-1/2 INCH	15	4
2 INCH	20	14
2 INCH COMPOUND	23	5
2 INCH OCTAVE METER	21	0
	22	0
3 INCH	30	0
3 INCH FIRE METER ONLY	33	1
		<u>1694</u>

ADDITIONAL INFORMATION:

Water loss figures for the year ended December 31, 2023 are as follows:

Gallons of water purchased	148,912,300
Gallons of water sold and used	<u>80,738,198</u>
Gallons of water lost	<u>68,174,102</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	\$ 1,354,744
Depreciation	112,532
Capital asset purchases	<u>4,792</u>
GAAP	<u>\$ 1,472,067</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, 2023, 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 December 17, 2024.

Report on 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 (internal control) as a basis for designing 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 as Findings 1 and 2 that I consider to be significant deficiencies

Report on 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 financial statements. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lakeview Midway Public Water Authority's Response to Findings

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

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

December 17, 2024

LAKEVIEW MIDWAY PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2023

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 material weaknesses.

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 statements.
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, 2023

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.