

**JEFFERSON PUBLIC WATER AUTHORITY**

**FINANCIAL STATEMENTS**

December 31, 2022 and 2021

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Operating Expenses	14
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	15
Schedule of Findings and Questioned Costs	17

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT AUDITOR'S REPORT**

To the Management and Board of Directors  
of Jefferson Public Water Authority

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the Jefferson Public Water Authority, (the "Authority"), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the statement of revenues, expenses and changes in net position, and cash flows of the Authority as of and for the years then ended December 31, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

### ***Supplementary Information and other information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Operating Expenses is presented for purposes of additional analysis and is 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 our opinion, the supplementary 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*, we have also issued our report dated March 5, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC  
Monticello, Arkansas  
March 5, 2023

**JEFFERSON PUBLIC WATER AUTHORITY**  
**STATEMENT OF NET POSITION**  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,054,694	\$ 991,647
Accounts receivable (net)	49,777	48,320
Other current assets	10,400	-
Total current assets	<u>1,114,871</u>	<u>1,039,967</u>
<u>Restricted cash and investments</u>		
Meter deposits	22,984	22,984
Depreciation reserve fund	173,270	145,864
Total restricted cash and investments	<u>196,254</u>	<u>168,848</u>
<u>Fixed assets, net of accumulated depreciation</u>	<u>2,515,997</u>	<u>2,599,354</u>
Total assets	<u><u>\$ 3,827,122</u></u>	<u><u>\$ 3,808,169</u></u>
<u>Liabilities and Net Position</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 12,299	\$ 9,351
Accrued payroll	62	12,933
Other accrued expenses	5,293	4,690
Current portion of note payable	65,771	64,853
Total current liabilities	<u>83,425</u>	<u>91,827</u>
<u>Long term liabilities</u>		
Note payable, net of current amount	826,045	891,816
Customer deposits	22,984	22,984
Total long term liabilities	<u>849,029</u>	<u>914,800</u>
<u>Net position</u>		
Invested in capital assets, net of related debt	1,624,181	1,642,685
Restricted	173,270	145,864
Unrestricted	1,097,217	1,012,993
Total net position	<u>2,894,668</u>	<u>2,801,542</u>
Total liabilities and net position	<u><u>\$ 3,827,122</u></u>	<u><u>\$ 3,808,169</u></u>

**JEFFERSON PUBLIC WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Operating revenues</u>		
Water services	\$ 602,751	\$ 591,689
Water connection fees	12,075	12,925
Penalties and late fees	15,343	20,074
Garbage collection fees	-	1,167
Other operating revenue	12,413	14,795
Total operating revenue	642,582	640,650
<u>Operating expenses</u>		
Plant operations and distribution	249,904	245,266
General and administrative	193,523	184,690
Depreciation	89,857	90,917
Total operating expenses	533,284	520,873
Income / (loss) from operations	109,298	119,777
<u>Other revenue / (expenses)</u>		
Interest income	1,629	3,382
Interest expense	(17,801)	(14,749)
Total other revenue / (expenses)	(16,172)	(11,367)
<u>Change in net position</u>	93,126	108,410
<u>Net position, beginning of year</u>	2,801,542	2,693,132
Change in net invested in capital assets	(18,504)	44,009
Change in restricted assets	27,406	70,938
Change in unrestricted assets	84,224	(6,537)
Change in net position	93,126	108,410
<u>Net position, end of year</u>	\$ 2,894,668	\$ 2,801,542

**JEFFERSON PUBLIC WATER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 641,125	\$ 665,378
Payments for salaries and benefits	(235,637)	(268,020)
Payments for operating supplies	(227,510)	(199,310)
Net cash provided by (used for) operating activities	<u>177,978</u>	<u>198,048</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(6,500)	(65,684)
Interest income	1,629	3,382
Net cash provided by (used for) investing activities	<u>(4,871)</u>	<u>(62,302)</u>
<u>Cash flows from financing activities</u>		
Principal payments	(64,853)	(69,242)
Interest payments	(17,801)	(14,749)
Change in customer deposits	-	1,401
Net cash provided by (used for) financing activities	<u>(82,654)</u>	<u>(82,590)</u>
<u>Change in cash and cash equivalents</u>	90,453	53,156
<u>Cash and cash equivalents, beginning of year</u>	1,160,495	1,107,339
<u>Cash and cash equivalents, end of year</u>	<u>1,250,948</u>	<u>1,160,495</u>
<u>Cash and cash equivalents</u>	1,054,694	991,647
<u>Restricted cash and cash equivalents</u>	196,254	168,848
	<u>\$ 1,250,948</u>	<u>\$ 1,160,495</u>
	2022	2021
<u>Reconciliation of operating income to net cash from operating activities:</u>		
Operating income (loss)	\$ 109,298	\$ 119,777
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	89,857	90,917
Changes in assets and liabilities:		
Accounts receivable	(1,457)	24,728
Other current assets	(10,400)	25,446
Accounts payable	2,948	(21,933)
Accrued expenses	(12,268)	(40,887)
Total adjustments	<u>68,680</u>	<u>78,271</u>
Net cash provided by (used for) operating activities	<u>\$ 177,978</u>	<u>\$ 198,048</u>

**JEFFERSON PUBLIC WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2022 and 2021

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

Jefferson Public Water Authority (the "Authority") has been designated a public water authority by the state of Arkansas. The Authority filed for the change from a 501(c)12 non-profit water association to a public water authority in June 2022. The Authority is operated by an independent board of directors for the purpose of distributing water to customers in the surrounding area of Jefferson, Arkansas. The Authority has adopted the provisions of Statement 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority is not a component unit of another entity. The Authority is not financially accountable for any other organization.

**B. Basis of Accounting**

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Authority. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Authority.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Authority applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

**C. Use of Estimates**

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**D. Assets, Liabilities, and Net Position**

**Cash and Cash Equivalents**

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

**JEFFERSON PUBLIC WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2022 and 2021

---

**NOTE 1 (continued)**

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit, and deposits can be offset against the receivable. The allowance for doubtful accounts for the years ended December 31, 2022 and 2021 was \$22,392 and \$12,392, respectively.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Authority's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$1,000.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

**E. Reclassification**

Certain accounts in prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

**F. Date of Management's Review**

The Authority evaluated its December 31, 2022 financial statements for subsequent events through March 5, 2023, the date the financial statements were available to be issued. The Authority is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

**JEFFERSON PUBLIC WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2022 and 2021

**NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS**

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it.

The schedule below is designed to disclose the level of custodial credit risk assumed by the Authority based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2022.

Category 1 – Insured FDIC or secured with securities held by the Authority (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust department in the Authority's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Authority's name, or collateralized with no written or approved collateralized agreement.

The level of Security for the Authority's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 1,105,609	\$ 500,000	\$ 605,609	\$ -
Bank B	12,870	12,870	-	-
Bank C	75,182	75,182	-	-
Bank D	63,416	63,416	-	-
Total	<u>\$ 1,161,364</u>	<u>\$ 433,805</u>	<u>\$ 727,559</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Authority's general ledger balances

The Authority has certain amounts of its cash accounts restricted at December 31, 2022 as follows:

Meter deposits	\$ 22,984
Debt reserve requirements	<u>145,864</u>
Total restricted cash	<u>\$ 168,848</u>

Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Authority or for off-setting any amounts owed by the customer upon departure.

**JEFFERSON PUBLIC WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2022 and 2021

**NOTE 3 – CHANGES IN FIXED ASSETS**

Changes in fixed assets for the years ended December 31, 2022 and 2021 are as follows:

	Balance December 31, 2020	Transfers/ Additions	Disposals	Balance December 31, 2021
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
Buildings and Improvements	388,663	65,684	-	454,347
Dollarway road project	38,374	-	-	38,374
Furniture, fixtures, & equipment	501,865	-	-	501,865
Harper road project	40,895	-	-	40,895
NCTR road project	192,855	-	-	192,855
Water plant	2,866,250	-	-	2,866,250
Intangible assets	20,397	-	-	20,397
Construction in progress	-	-	-	-
	<u>4,063,499</u>	<u>65,684</u>	<u>-</u>	<u>4,129,183</u>
Depreciation & amortization	<u>(1,438,912)</u>	<u>(90,917)</u>	<u>-</u>	<u>(1,529,829)</u>
	<u>\$ 2,624,587</u>	<u>\$ (25,233)</u>	<u>\$ -</u>	<u>\$ 2,599,354</u>

	Balance December 31, 2021	Transfers/ Additions	Disposals	Balance December 31, 2022
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
Buildings and Improvements	454,347	-	-	454,347
Dollarway road project	38,374	-	-	38,374
Furniture, fixtures, & equipment	501,865	6,500	-	508,365
Harper road project	40,895	-	-	40,895
NCTR road project	192,855	-	-	192,855
Water plant	2,866,250	-	-	2,866,250
Intangible assets	20,397	-	-	20,397
Construction in progress	-	-	-	-
	<u>4,129,183</u>	<u>6,500</u>	<u>-</u>	<u>4,135,683</u>
Depreciation & amortization	<u>(1,529,829)</u>	<u>(89,857)</u>	<u>-</u>	<u>(1,619,686)</u>
	<u>\$ 2,599,354</u>	<u>\$ (83,357)</u>	<u>\$ -</u>	<u>\$ 2,515,997</u>

**JEFFERSON PUBLIC WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2022 and 2021

**NOTE 4 – LONG-TERM DEBT**

*2020 Water Revenue Bond*

On December 1, 2021, the Authority financed the long-term debt by obtaining a bond payable from Arkansas Natural Resource Commission in the amount of \$700,300 with an interest rate of 2.55%. The proceeds were used to pay for the construction and betterment of the Authority's water system. The bond is for a period 20 years with minimum monthly payments of principal and interest of \$3,728. The bond is secured by the Authority's revenues.

*Meter Replacement Bond*

On September 15, 2019, the Authority financed the long-term debt by obtaining a bond payable from Arkansas Natural Resource Commission in the amount of \$368,000 with an interest rate of 0.50%. The proceeds were used to pay for new meters for the Authority. The bond is for a period 10 years with minimum semi-annual payments of principal and interest of \$18,887. The bond is secured by the Authority's revenue.

Changes in long term debt for the years ended December 31, 2022 and 2021 are as follows:

	Balance December 31, 2020	Increases	Decreases	Balance December 31, 2021	Amounts Due Within One Year
Arkansas Natural Resource 2020 water revenue bond	\$ 684,878	\$ -	\$ (30,113)	\$ 654,765	\$ 28,544
Arkansas Natural Resource meter replacement bond	341,034	-	(39,130)	301,904	36,309
Bond payable	<u>\$ 1,025,912</u>	<u>\$ -</u>	<u>\$ (69,243)</u>	<u>\$ 956,669</u>	<u>\$ 64,853</u>
	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022	Amounts Due Within One Year
Arkansas Natural Resource 2020 water revenue bond	\$ 654,765	\$ -	\$ (28,544)	\$ 626,221	\$ 29,280
Arkansas Natural Resource meter replacement bond	301,904	-	(36,309)	265,595	36,491
Bond payable	<u>\$ 956,669</u>	<u>\$ -</u>	<u>\$ (64,853)</u>	<u>\$ 891,816</u>	<u>\$ 65,771</u>

**JEFFERSON PUBLIC WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2022 and 2021

---

**NOTE 4 (continued)**

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the year ending:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 65,771	\$ 16,872	\$ 82,643
2024	66,710	15,934	82,644
2025	67,668	14,975	82,643
2026	68,648	13,996	82,644
2027	69,649	12,995	82,644
2028-2032	256,394	49,907	306,301
2033-2037	198,876	25,666	224,542
2038-2042	98,100	2,945	101,045
	<u>\$ 891,816</u>	<u>\$ 153,290</u>	<u>\$ 1,045,106</u>

**NOTE 5 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**NOTE 6 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES**

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Authority from the financial statements which are required by GAAP.

## **SUPPLEMENTARY INFORMATION**

**JEFFERSON PUBLIC WATER AUTHORITY**  
**SCHEDULE OF OPERATING EXPENSES**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Plant operations and distributions</u>		
Salaries, wages, and benefits	\$ 89,082	\$ 90,795
Supplies	65,713	65,061
Utilities	33,514	36,058
Insurance	30,635	22,130
Payroll taxes	6,062	6,126
Dues, subscriptions, licenses	4,156	5,738
Repairs and maintenance	6,014	2,328
Travel expenses	9,137	5,634
Communication	4,412	6,962
Contract labor	725	3,786
Other expenses	454	644
Rent expense	-	4
Total plant operations and distributions	<u>249,904</u>	<u>245,266</u>
<u>General and administrative</u>		
Salaries, wages, and benefits	133,623	136,192
Supplies	7,301	7,229
Utilities	1,764	1,898
Insurance	7,659	5,532
Professional services	9,627	6,750
Payroll taxes	9,093	9,188
Dues, subscriptions, licenses	4,156	5,738
Repairs and maintenance	317	123
Travel expenses	481	297
Office supplies	5,719	7,914
Communication	1,471	2,321
Bad debt	11,858	785
Other expenses	454	644
Rent expense	-	79
Total general and administrative	<u>193,523</u>	<u>184,690</u>
<u>Depreciation &amp; amortization</u>	<u>89,857</u>	<u>90,917</u>
Total operating expenses	<u>\$ 533,284</u>	<u>\$ 520,873</u>

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Management and Board of Directors  
of Jefferson Public Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson Public Water Authority (the "Authority"), , which comprise the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 5, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be significant deficiencies.

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

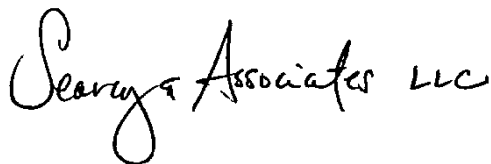
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

## **The Authority's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC  
Monticello, Arkansas  
March 5, 2023

**JEFFERSON PUBLIC WATER AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2022

---

**SIGNIFICANT DEFICIENCIES**

2022-001 - Segregation of Duties

**Condition:** The Authority did not segregate financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to sufficiently reduce the risks of fraud or error.

**Criteria:** Proper segregation of controls should be in place to provide reasonable assurance that fraud or error does not occur.

**Cause:** The Authority has limited financial resources which prevent it from fully segregated financial accounting duties.

**Effect:** Without proper segregation of duties, opportunity for fraud or error exists.

**Recommendation:** The Authority should evaluate its internal controls and segregate financial duties to the extent possible with the current staffing levels. The Authority should consider additional oversight where segregation is not possible.

**Management's Response:** The Authority will segregate financial duties to the extent possible with the current staffing levels.