

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023



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**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
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SEPTEMBER 30, 2024 AND 2023**

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**HIGHWAY 71 WATER DISTRICT NO. 1 PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

This section presents management's analysis of the financial condition and activities of the Highway 71 Water District No.1 Public Water Authority of the State of Arkansas (the District) for the year ended September 30, 2024.

Financial Highlights

Management believes the District's financial condition is stable. The District is within its debt covenants and financial policies and guidelines set by the Board of Directors. The following are key financial highlights:

- Total assets at year-end were \$4,341,412, which exceeded total liabilities of \$1,379,152, resulting in net position of \$2,962,260.
- Capital assets at year-end were \$2,933,454. This was an increase of \$87,341 from the prior year capital assets of \$2,846,113.
- Current assets at year-end were \$1,407,958. This was a decrease of \$41,535 from the prior year current assets of \$1,449,493.
- Total liabilities at year-end were \$1,379,152. This was a decrease of \$47,601 from the prior year liabilities of \$1,426,753.
- Long-term liabilities at year-end were \$996,629. This was a decrease of \$88,126 from the prior year long-term liabilities of \$1,084,755.
- Total net position at year-end was \$2,962,260, which included unrestricted net position of \$761,296, restricted net position of \$351,617, and net position invested in capital assets net of related debt was \$1,849,347.
- Operating revenue amounted to \$1,917,534. This was an increase of \$96,753 from the prior year operating revenue of \$1,820,781.
- Water sales revenue amounted to \$1,852,037. This was an increase of \$90,960 from the prior year water sales revenue of \$1,761,347.
- Non-operating income amounted to \$11,338. This was an increase of \$70,653 from the prior year non-operating expense of \$59,315.
- Operating expenses amounted to \$1,835,465. This was an increase of \$52,163 from the prior year operating expenses of \$1,783,302.
- Net operating income was \$82,069, representing a net decrease of \$44,590 from the prior year net operating income of \$37,479.
- Beginning net position of \$2,868,853 increased at year-end to \$2,962,260. This change in net position amounted to \$93,407, an increase of \$115,243 from prior year change in net position of (\$21,836).

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the District on an accrual historical cost basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the

**HIGHWAY 71 WATER DISTRICT NO. 1 PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

results of the business activities over the course of the fiscal year, as well as information as to how the net position changes during the year.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flow presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The District provides retail water services to 2,587 customers within Crawford County, Arkansas.

The facilities of the District include water system lines and equipment acquired or contracted at a cost of \$6,684,233 of which \$3,750,779 has been depreciated.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operating expenses are funded by customer revenue, and the acquisition and construction of capital assets are funded by USDA Rural Development loans and bank financing.

General Trends and Significant Events

The number of customers serviced by the District increased during the year from 2,562 to 2,587.

Financial Condition

The District's financial condition is sound. Total unrestricted net position as of September 30, 2024, was \$761,296, restricted net position was \$351,617, and net position invested in capital assets net of related debt was \$1,849,347 resulting in a total net position of \$2,962,260.

Results of Operations

Operating Revenue compared to Operating Expenses:

Operating revenues for the years ended September 30, 2024 and 2023 were \$1,917,534 and \$1,820,781, respectively. Operating expenses for the years ended September 30, 2024 and 2023 were \$1,835,465 and \$1,783,302, respectively.

Net Operating Income:

Net operating income was \$82,069 and \$37,479 for the years ended September 30, 2024 and 2023, respectively.

Capital Assets and Long-Term Debt:

The investment in property and equipment increased by \$285,401 for the year ended September 30, 2024, of which \$47,413 was for water system improvements, \$51,722 was for vehicles and equipment, \$7,677 was for buildings, and \$178,539 was for construction in progress.

**HIGHWAY 71 WATER DISTRICT NO. 1 PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Total debt of \$1,084,107 to net capital assets of \$2,933,454 was 37.0% for the year ended September 30, 2024.

Final Comments

The District has maintained its mission of providing affordable, efficient, and reliable water utility services.

Contacting the Fund's Financial Management

This financial report is designed to provide our users, the general public, and granting agencies with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If there are questions about this report or need for additional financial information arises, contact the Highway 71 Water District No.1 Public Water Authority, 8014 N. Hwy, Alma, Arkansas, 72921.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Highway 71 Water District No.1
Public Water Authority of the State of Arkansas
Alma, Arkansas**

Qualified Opinion

We have audited the accompanying financial statements of **Highway 71 Water District No.1 Public Water Authority of the State of Arkansas** (the District) as of and for the years ended **September 30, 2024** and **2023**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of **September 30, 2024** and **2023**, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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

Matter Giving rise to the Qualified Opinion

Management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the District. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred outflows of resources, and deferred inflows of resources for defined benefit pension plans have an actuarial study to determine the effect on net position. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and net position has not been determined.

Member of:

*American Institute of Certified Public Accountants
*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Additional Comments required by Rural Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Additional Comments required by Rural Development are 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 **January 21, 2025**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

January 21, 2025

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

**To the Board of Directors
Highway 71 Water District No.1
Public Water Authority of the State of Arkansas
Alma, Arkansas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Highway 71 Water District No.1 Public Water Authority of the State of Arkansas** (the District) as of and for the year ended **September 30, 2024**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **January 21, 2025**.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Member of:

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*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Highway 71 Water District No.1 Public Water Authority of the State of Arkansas' Response to Findings

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

Purpose of this Report

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



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

January 21, 2025

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 739,943	\$ 797,001
Restricted cash and cash equivalents	351,617	339,155
Accounts receivable, net of allowance for doubtful accounts of \$12,269 and \$11,276, respectively	214,742	164,742
Inventories	<u>101,656</u>	<u>148,595</u>
 Total Current Assets	 <u>1,407,958</u>	 <u>1,449,493</u>
 CAPITAL ASSETS		
Construction in progress	240,117	61,579
Land	28,081	28,081
Buildings	177,671	169,994
Water tank	1,112,268	1,112,268
Water system	4,644,623	4,597,209
Office equipment	96,069	96,069
Vehicles and equipment	<u>385,404</u>	<u>333,632</u>
	6,684,233	6,398,832
Less: accumulated depreciation	<u>(3,750,779)</u>	<u>(3,552,719)</u>
 Total Capital Assets	 <u>2,933,454</u>	 <u>2,846,113</u>
 Total Assets	 <u><u>\$ 4,341,412</u></u>	 <u><u>\$ 4,295,606</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023
LIABILITIES AND NET POSITION

	2024	2023
CURRENT LIABILITIES		
Accounts payable	\$ 84,492	\$ 59,126
Employee deductions payable	308	357
Payroll taxes payable	887	887
Accrued interest payable	8,200	8,694
Accrued compensated absences	18,287	13,211
Sales tax payable	12,931	10,303
Current portion of notes payable	87,478	83,260
	<hr/>	<hr/>
Total Current Liabilities	212,583	175,838
	<hr/>	<hr/>
NONCURRENT LIABILITIES		
Plumbing inspection deposits payable	3,275	2,525
Meter deposits payable	166,665	163,635
Notes payable, net	996,629	1,084,755
	<hr/>	<hr/>
Total Noncurrent Liabilities	1,166,569	1,250,915
	<hr/>	<hr/>
Total Liabilities	1,379,152	1,426,753
	<hr/>	<hr/>
NET POSITION		
Invested in capital assets, net of related debt	1,849,347	1,678,098
Restricted	351,617	339,155
Unrestricted	761,296	851,600
	<hr/>	<hr/>
Total Net Position	2,962,260	2,868,853
	<hr/>	<hr/>
Total Liabilities and Net Position	\$ 4,341,412	\$ 4,295,606
	<hr/>	<hr/>

See Independent Auditor's Report and Notes to the Financial Statements.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water sales, net of provision for bad debts	\$ 1,852,037	\$ 1,761,347
Service charges	15,025	13,145
Customer contributions	17,673	14,330
ADH service fee income	12,310	12,215
Meter fees	14,400	15,000
Miscellaneous income	6,089	4,744
	<u>1,917,534</u>	<u>1,820,781</u>
Total Operating Revenues	<u>1,917,534</u>	<u>1,820,781</u>
OPERATING EXPENSES		
Water purchases	751,860	700,179
Repairs and maintenance	105,909	135,987
ADH service fees	11,402	10,375
Salaries	340,045	330,598
Electricity	92,931	93,016
Other utilities	988	1,568
Security expense	971	577
Office expense	39,035	33,144
Professional fees	23,460	17,943
Postage	14,162	14,843
Insurance	61,609	54,844
Employee insurance	84,391	76,661
Telephone	13,719	14,104
Vehicle expense	30,906	33,021
Miscellaneous expense	184	-
Depreciation	198,062	202,434
Uniforms	2,820	2,267
Dues and meetings	3,312	2,856
Payroll taxes	26,733	25,960
APERS expense	32,966	32,925
	<u>1,835,465</u>	<u>1,783,302</u>
Total Operating Expenses	<u>1,835,465</u>	<u>1,783,302</u>
OPERATING INCOME	<u>82,069</u>	<u>37,479</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest income	35,544	27,026
Gain (loss) on disposal of capital assets	-	(51,041)
Lease income	15,415	16,816
Debt issuance cost	-	(6,143)
Insurance proceeds	9,814	-
Interest expense	(49,435)	(45,973)
	<u>11,338</u>	<u>(59,315)</u>
Total Non-Operating Revenues (Expenses)	<u>11,338</u>	<u>(59,315)</u>
CHANGE IN NET POSITION	93,407	(21,836)
NET POSITION, BEGINNING OF YEAR	<u>2,868,853</u>	<u>2,890,689</u>
NET POSITION, END OF YEAR	<u>\$ 2,962,260</u>	<u>\$ 2,868,853</u>

See Independent Auditor's Report and Notes to the Financial Statements.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,802,037	\$ 1,767,952
Cash payments to suppliers for goods and services	(1,084,850)	(1,266,936)
Cash payments to employees for services	(378,087)	(365,599)
	<u>339,100</u>	<u>135,417</u>
Net Cash Flows From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	35,544	27,026
	<u>35,544</u>	<u>27,026</u>
Net Cash Flows From Investing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets	(285,401)	(453,615)
Proceeds from issuance of debt	-	300,849
Principal paid on long-term debt	(83,910)	(165,946)
Interest paid	(49,929)	(38,511)
	<u>(419,240)</u>	<u>(357,223)</u>
Net Cash Flows From Capital and Related Financing Activities		
CHANGE IN CASH AND CASH EQUIVALENTS	(44,596)	(194,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,136,156</u>	<u>1,330,936</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,091,560</u>	<u>\$ 1,136,156</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 739,943	\$ 797,001
RESTRICTED CASH AND CASH EQUIVALENTS	<u>351,617</u>	<u>339,155</u>
	<u>\$ 1,091,560</u>	<u>\$ 1,136,156</u>

See Independent Auditor's Report and Notes to the Financial Statements.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating income	\$ 82,069	\$ 37,479
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	198,062	202,434
Lease income	15,415	16,816
Insurance proceeds	9,814	-
Change in:		
Accounts receivable	(50,000)	6,605
Inventories	46,939	(83,142)
Accounts payable	25,366	(49,365)
Employee deductions payable	(49)	(53)
Accrued compensated absences	5,076	2,076
Sales tax payable	2,628	(63)
Plumbing inspection deposits payable	750	(300)
Meter deposits payable	3,030	2,930
Total adjustments	257,031	97,938
Net Cash Flows From Operating Activities	<u>\$ 339,100</u>	<u>\$ 135,417</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Note 1: Summary of Significant Accounting Policies

Highway 71 Water District No. 1 Public Water Authority of the State of Arkansas ("The District") was organized on June 4, 2008 to provide suitable water to and for the benefit of members of the general public, commercial, industrial and other users in the City of Alma, Arkansas and the surrounding communities.

Financial Reporting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted for debt service; and unrestricted components.

Basis of Accounting

The District's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred. Operating revenues in the enterprise fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents as of September 30, 2024 and 2023 were \$253,791 and \$243,433, respectively.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Accounts Receivable

The District establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$12,269 and \$11,276 respectively, as of September 30, 2024 and 2023.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Inventories consist primarily of water meters, pipes, valves and related supplies.

Income Taxes

The District is a not-for-profit organization that is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. As a result, no provision for current or deferred income tax liability is recognized in the District's books and records. The District evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (formerly FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes*). This standard requires certain disclosures about uncertain tax positions. When tax returns are filed, it is probable that most tax positions would be sustained upon examination by taxing authorities. However, it is also possible that some positions use the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the District would be presented in other expenses in the statement of revenues, expenses and changes in net position. Management does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Board has filed all applicable tax returns. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the District has no open examinations with either the Internal Revenue Service or state taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Capital Assets and Depreciation

Capital assets include property, plant and equipment and are valued at historical costs. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses as incurred. Renewals and substantial betterments are capitalized. The District capitalizes assets with an initial cost greater or equal to \$1,000 and an estimated useful life greater than one year. Depreciation of capital assets is computed on the straight-line method over the estimated useful lives of the assets, which range from three to seventy-five years. As of September 30, 2024 and 2023, the District had fully depreciated assets still in service of approximately \$819,000 and \$604,000, respectively.

Net Position Classifications

Net position is classified and displayed in the following three components:

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.”

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, the Board’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

Compensated Absences

Employees of the District are entitled to paid vacation and sick days off depending on length of service. The amounts reflected as accrued compensated absences represent the unused sick and vacation time as of September 30.

Subsequent Events

Management has evaluated subsequent events through January 21, 2025, the date the financial statements were available to be issued.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 2: Deposits in Financial Institutions

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 District's deposit policy for custodial credit risk requires compliance with provisions of state law. Arkansas law requires collateralization of all deposits by federal depository insurance (FDIC) and/or qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. Agencies. The District's deposits were all fully insured or collateralized as of September 30, 2024.

Cash consisted of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Unrestricted cash		
Petty cash	\$ 200	\$ 200
System upgrade reserve savings	463,836	508,837
Customer online payment account	108,807	94,186
Vehicle/equipment reserve savings	23,744	61,771
Operations and maintenance	82,862	75,412
Plumbing inspection deposit savings account	60,494	56,595
	<u>\$ 739,943</u>	<u>\$ 797,001</u>
Restricted cash		
Meter deposit savings account	\$ 18,991	\$ 18,944
Meter deposit certificate of deposit	133,856	128,502
Debt service certificate of deposit	7,338	7,046
Tank construction account	231	231
Meter Replacement Cost	74,096	72,039
Old Graphic & Cattlement construction	4,508	4,508
Debt service certificate of deposit	88,092	84,362
Depreciation reserve certificate of deposit	24,505	23,523
	<u>\$ 351,617</u>	<u>\$ 339,155</u>

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Note 3: Capital Assets

Changes in capital assets consist of the following:

	October 1, 2023	Additions	Retirements	September 30, 2024
Construction in progress	\$ 61,579	\$ 178,538	\$ -	\$ 240,117
Land and buildings	198,075	7,677	-	205,752
Office equipment	96,069	-	-	96,069
Vehicles and equipment	333,632	51,772	-	385,404
Water system	5,709,477	47,414	-	5,756,891
Total	<u>\$ 6,398,832</u>	<u>\$ 285,401</u>	<u>\$ -</u>	<u>\$ 6,684,233</u>

	October 1, 2022	Additions	Retirements	September 30, 2023
Construction in progress	\$ 41,472	\$ 20,107	\$ -	\$ 61,579
Land and buildings	198,075	-	-	198,075
Office equipment	90,348	6,716	995	96,069
Vehicles and equipment	333,632	-	-	333,632
Water system	5,685,991	426,788	403,302	5,709,477
Total	<u>\$ 6,349,518</u>	<u>\$ 453,611</u>	<u>\$ 404,297</u>	<u>\$ 6,398,832</u>

Depreciation expense for the years ended September 30, 2024 and 2023 were \$198,062 and \$202,434, respectively.

Note 4: Concentrations of Credit Risk and Major Suppliers

The District has no formal policy on managing credit risk. Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District provides water services to commercial and residential users within the northwest Arkansas area. At September 30, 2024 and 2023, the District had accounts receivable of \$214,742 and \$164,742, respectively.

The District purchases all of its water from the City of Fort Smith.

Significant losses are covered by commercial insurance for all major programs for which the District retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage.

Note 5: Related Party Transactions

As of September 30, 2024, the District had one elected board member, Denver Wimberley, who owns Wimberley Construction, Inc. Payments were made to Wimberley Construction, Inc. for work performed during the year ended September 30, 2024 and 2023 totaling \$20,575 and \$29,533, respectively.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Note 6: Notes Payable

Notes payable of the District consist of the following:

	<u>2024</u>	<u>2023</u>
Rural Development #91-07 - issued May 15, 2003, loan in the original amount of \$555,000. Payments are made monthly in the amount of \$2,565 and includes interest of 4.625%. The loan is secured by revenues and property of the District	\$ 383,128	\$ 395,869
Rural Development #91-08 - issued May 15, 2003, loan in the original amount of \$163,700. Payments are made monthly in the amount of \$757 and includes interest of 4.625%. The loan is secured by revenues and property of the District	111,445	115,278
Rural Development Bond - issued February 25, 2016, loan in the original amount of \$511,000. Payments are made monthly in the amount of \$1,891 and includes interest of 3.125%. The loan is secured by revenues and property of the District	337,946	349,875
Government Capital Lease/Purchase - issued March 2, 2023, loan in the original amount of \$306,993. Payments are made annually in the amount of \$71,281 and includes interest of 5.20%. The loan is secured by property of the District	<u>251,588</u>	<u>306,993</u>
Total notes payable	1,084,107	1,168,015
Less: current portion of notes payable	<u>(87,478)</u>	<u>(83,260)</u>
Notes payable, long-term	<u>\$ 996,629</u>	<u>\$ 1,084,755</u>

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Notes payable are scheduled to be repaid as follows:

Years ending September 30,	PRINCIPAL	INTEREST	TOTAL
2025	\$ 87,478	\$ 46,359	\$ 133,837
2026	91,680	42,157	133,837
2027	96,087	37,750	133,837
2028	100,711	33,126	133,837
2029	34,281	28,275	62,556
2030-2034	193,333	119,447	312,780
2035-2039	235,877	76,903	312,780
2040-2044	243,171	24,874	268,045
2045-2049	1,489	4	1,493
Total	<u>\$ 1,084,107</u>	<u>\$ 408,895</u>	<u>\$ 1,493,002</u>

Activity of the notes payable consists of the following:

	October 1, 2023	Additions	Reductions	September 30, 2024
Rural Development #91-07	\$ 395,869	\$ -	\$ 12,741	\$ 383,128
Rural Development #91-08	115,278	-	3,833	111,445
Rural Development #91-10	349,875	-	11,929	337,946
Water Meters 2023	306,993	-	55,405	251,588
Total	<u>\$ 1,168,015</u>	<u>\$ -</u>	<u>\$ 83,908</u>	<u>\$ 1,084,107</u>

	October 1, 2022	Additions	Reductions	September 30, 2023
Rural Development #91-07	\$ 408,035	\$ -	\$ 12,166	\$ 395,869
Rural Development #91-08	120,208	-	4,930	115,278
Rural Development #91-09	137,288	-	137,288	-
Rural Development #91-10	361,438	-	11,563	349,875
Water Meters 2023	-	306,993	-	306,993
Total	<u>\$ 1,026,969</u>	<u>\$ 306,993</u>	<u>\$ 165,947</u>	<u>\$ 1,168,015</u>

Under the terms of the Rural Development agreements, the District was required to make monthly transfers into a debt service reserve account until the following balances were obtained to service the following loans: Loan 91-07 - \$30,780, Loan 91-08 - \$9,084, and Loan 91-10 - \$14,820. As of September 30, 2024 and 2023, the debt service reserves were fully funded through debt service reserve CDs account in the amounts of \$95,430 and \$91,408 respectively and surpluses maintained in the operating account.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Under the terms of the Rural Development agreements, the District was required to deposit monthly 2% of gross revenue into a depreciation reserve account until a balance of \$188,928 is accumulated. As of September 30, 2024 and 2023, the depreciation reserve account balance was fully funded. This reserve account is for major repairs to the water system and for replacements to the water system due to depreciation of the facilities.

Interest paid during the years ended September 30, 2024 and 2023 amounted to \$49,928 and \$38,511, respectively. The District was in substantial compliance with all loan covenants at September 30, 2024 and 2023.

Note 7: Agreement to Sell Water

The District has a contract to sell water to the Locke-Fern and Dollard Road Waterworks Public Facilities Board (Locke-Fern). The District will sell water to Locke-Fern at the rates charged by the City of Fort Smith plus utility and other costs incurred by the District to provide water to Locke-Fern, wherein the utility and other cost rates are reviewed annually by both the District and Locke-Fern. Locke-Fern will pay any surcharge for excess use that is assessed by the City of Fort Smith. The contract will extend forty years from the date of the initial water delivery.

Note 8: Leasing Activities

The District has an existing lease agreement with Verizon, Inc. The lease grants Verizon the nonexclusive right to install, maintain, operate and remove radio communications equipment and appurtenances on the District's water tower. The agreement also leases to Verizon a portion of the District's property for construction and occupancy of an equipment shelter or building. The lease contains an option for Verizon to renew the lease for additional terms of five years each. During March 2022, the District renewed the lease for an additional five years with payment of \$1,401 per month. At September 30, 2024, the minimum future rentals under the lease are as follows:

Years ending September 30,	
2025	\$ 16,812
2026	16,812
2027	<u>8,406</u>
	<u>\$ 42,030</u>

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Note 9: Employee Benefits

Effective October 1, 2017, the District approved their participation in the Arkansas Public Employees Retirement System (APERS). APERS is a cost sharing, multiple employer, defined benefit pension plan established by authority of the Arkansas General Assembly with passage of Act 177 of 1957 to provide retirement benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The laws governing operations of APERS are set forth in Arkansas Code of 1987 Annotated and 1993 Cumulative Supplement, Title 24, Chapters 3 and 4, with related laws in Chapter 2. APERS utilizes a five year vesting schedule for all employees. As of September 30, 2024 and 2023, annual pension contributions amounted to \$32,966 and \$32,925, respectively. Management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The APERS actuarial firm released an estimated pension liability as of June 30, 2023 of \$412,983.

SUPPLEMENTARY INFORMATION

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT
SEPTEMBER 30, 2024

WATER RATE SCHEDULE

	<u>2024</u>	<u>2023</u>
Minimum charge - first 1,000 gallons	\$30.26	\$25.00
Per thousand - 1,001 to 4,000 gallons	8.84	7.31
Per thousand - 4,001 to 8,000 gallons	9.25	7.65
Per thousand - 8,001 to 13,000 gallons	9.46	7.82
Per thousand - over 13,000 gallons	9.46	7.82
Per month ADH fee - per users	0.40	0.40

During the years ended September 30, 2024 and 2023, the District purchased 284,596,828 and 289,672,002 gallons of water, respectively, and sold 186,514,400 and 187,829,100 gallons of water, respectively. At September 30, 2024 and 2023, the District had 2,587 and 2,562 active users, respectively.

BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>
Emily Rucker	President
Chris Morris	Vice President
Jimmy Haggard	Secretary/ Treasurer
Randy Milam	Board Member
Denver Wimberley	Board Member
Stacy McCabe	Board Member
Jayson Peppas	Board Member
Warren Robertson	Board Member

ACCOUNTING RECORDS AND CONTROL OVER PHYSICAL ASSETS

The District's accounting records, with the exception of normal adjusting entries, are in agreement with these financial statements. The accounting records of the District are adequate. The District's control over physical assets is adequate.

MATERIAL OR UNUSUAL ADJUSTMENTS

The accounting records of the District incurred no unusual adjustments. Material adjustments, however not unusual in nature, included reclassification of work in process to water system accounts.

See Independent Auditor's Report.

HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES	Budget	Actual	Variance
Water sales, net of provision for bad debts	\$ 1,806,408	\$ 1,852,037	\$ 45,629
Service charges	16,600	15,025	(1,575)
Customer contributions	-	17,673	17,673
ADH service fee income	11,381	12,310	929
Meter fees	17,850	14,400	(3,450)
Miscellaneous income	3,000	6,089	3,089
Total Operating Revenues	1,855,239	1,917,534	62,295
OPERATING EXPENSES			
Water purchases	700,000	751,860	(51,860)
Repairs and maintenance	50,000	105,909	(55,909)
ADH service fees	11,381	11,402	(21)
Salaries	360,000	340,045	19,955
Electricity	100,000	92,931	7,069
Other utilities	2,000	988	1,012
Security expense	1,000	971	29
Office expense	25,000	39,035	(14,035)
Professional fees	25,000	23,460	1,540
Postage	16,000	14,162	1,838
Insurance	63,000	61,609	1,391
Employee insurance	93,000	84,391	8,609
Telephone	15,000	13,719	1,281
Vehicle expense	35,000	30,906	4,094
Miscellaneous expense	1,000	184	816
Depreciation	220,000	198,062	21,938
Uniforms	4,000	2,820	1,180
Dues and meetings	3,500	3,312	188
Payroll taxes	58,000	26,733	31,267
APERS expense	-	32,966	(32,966)
Total Operating Expenses	1,782,881	1,835,465	(52,584)
OPERATING INCOME (LOSS)	72,358	82,069	9,711
NON-OPERATING REVENUE (EXPENSES)			
Interest income	15,000	35,544	20,544
Lease income	16,816	15,415	(1,401)
Insurance proceeds	-	9,814	9,814
Interest expense	(55,000)	(49,435)	5,565
Total Non-Operating Revenues (Expenses)	(23,184)	11,338	34,522
CHANGE IN NET POSITION	\$ 49,174	\$ 93,407	\$ 44,233

See Independent Auditor's Report and Note to the Budgetary Comparison Schedule.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2024**

Note 1: Budget

The budget for the District is prepared on the cash basis of accounting. The original budget is approved by the District's Board of Directors.

The District's approved budget does not include a provision for deferred compensation contributions and the District's budgeted amount for repairs and supplies includes amounts budgeted for capital expenditures.

Accounts in the actual column have been grouped to show comparability with the budget line items.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED SEPTEMBER 30, 2024**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of **Highway 71 Water District No. 1 Public Water Authority of the State of Arkansas** (the District).
2. Our audit was conducted 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.
3. One deficiency in internal control was disclosed during the audit of the financial statements and reported in Section I of the schedule of findings and responses, finding **2024-001**. This condition is reported as a material weakness.
4. No instances of noncompliance material to the financial statements of the District required to be reported in accordance with *Government Auditing Standards* are disclosed in the audit.
5. The District is in compliance with all sections of its Escrow Deposit Agreement.
6. The District's deposits in financial institutions were all either insured or collateralized as of **September 30, 2024**.
7. Additional information necessary for full disclosure is included in the audit report dated **January 21, 2025** and the audited financial statements of the District for the year ended **September 30, 2024**.

**HIGHWAY 71 WATER DISTRICT NO. 1
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2024**

SECTION I – CURRENT YEAR

2024-001 Internal Control over Financial Reporting - Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the District's assets and ensure accurate financial reporting.

Condition: The District has a limited number of employees which effectively preclude an adequate segregation of duties relating to the recording, processing, reconciling and reporting of cash and other transactions in the accounting records, as well as the safeguarding of assets.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the District should consider a formal evaluation of their risks associated with this lack of duties segregation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts.

Responsible Official's Response: The District concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the District plans to make certain changes in procedures that will improve the overall lack of segregation of duties.

SECTION II – DEFICIENCY – PRIOR YEAR

2023-001 – Prior year findings same as current year findings.

FINDINGS – GOVERNMENT AUDITING STANDARDS AUDIT

SECTION III – INTERNAL CONTROLS

Same as Section I finding 2024-001

SECTION IV – COMPLIANCE

No findings