

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

June 30, 2025 and 2024

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**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 Board of Directors of  
South Sheridan Water Association, Inc.

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

***Opinions***

We have audited the accompanying financial statements of the South Sheridan Water Association, Inc., (the "Organization"), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Organization as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization'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 Organization'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 Organization'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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2025 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.



Searcy & Associates, LLC  
Monticello, Arkansas  
August 15, 2025

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2025 and 2024

	2025	2024
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 545,780	\$ 393,290
Accounts receivable, net of allowance	107,987	101,327
Other current assets	22,528	22,528
Total current assets	676,295	517,145
<u>Fixed assets, net of accumulated depreciation</u>	2,228,436	2,345,653
<u>Restricted assets</u>		
Cash reserve - meter deposits	99,834	94,547
Cash reserve - debt service	408,484	376,439
Total restricted assets	508,318	470,986
Total assets	\$ 3,413,049	\$ 3,333,784
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 15,449	\$ 15,449
Accrued interest	4,602	4,602
Accrued payroll	3,279	4,928
Accrued paid time off	5,698	5,698
Other accrued expenses	5,152	5,148
Current portion of notes payable	113,067	106,684
Total current liabilities	147,247	142,509
<u>Long term liabilities</u>		
Notes payable, net of current amount	1,293,382	1,421,638
Customer deposits	99,834	94,547
Total long term liabilities	1,393,216	1,516,185
Total liabilities	1,540,463	1,658,694
<u>Net assets</u>		
Net assets without donor restrictions	1,872,586	1,675,090
Total liabilities and net assets	\$ 3,413,049	\$ 3,333,784

The accompanying notes are an integral part of the financial statements.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**

For the Years Ended June 30, 2025 and 2024

	2025	2024
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 761,498	\$ 714,550
Water connection fees	15,840	22,855
Penalties and late fees	10,556	10,673
Other operating income	19,450	29,280
Miscellaneous income	80,851	36,122
Total revenues	888,195	813,480
Expenses		
Operating expenses	632,967	536,857
General and administrative	178,857	177,688
Total expenses	811,824	714,545
Income (loss) from operations	76,371	98,935
Non-operating income (expense)		
Interest income	7,077	5,398
Expense reimbursement	170,410	172,215
Rent income	5,600	4,800
Interest expense	(61,962)	(67,580)
Total non-operating income (expense)	121,125	114,833
Change in net assets without donor restrictions	197,496	213,768
<u>Net assets, beginning of year</u>	1,675,090	1,461,322
<u>Net assets, end of year</u>	\$ 1,872,586	\$ 1,675,090

The accompanying notes are an integral part of the financial statements

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2025 and 2024

	2025	2024
<u>Cash flows from operating activities</u>		
Income from operations	\$ 76,371	\$ 98,935
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	141,197	140,105
Changes in assets and liabilities:		
Accounts receivable	(6,660)	(7,593)
Accounts payable	-	(10,000)
Accrued expenses	(1,645)	3,361
Total adjustments	132,892	125,873
Net cash provided by (used for) operating activities	209,263	224,808
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(32,480)	(53,327)
Proceeds from disposal of property, plant and equipment	8,500	-
Proceeds from expense reimbursements	170,410	172,215
Proceeds from rental income	5,600	4,800
Interest income	7,077	5,398
Net cash provided by (used for) investing activities	159,107	129,086
<u>Cash flows from financing activities</u>		
Principal payments	(121,873)	(101,329)
Interest payments	(61,962)	(67,580)
Change in customer deposits	5,287	3,431
Net cash provided by (used for) financing activities	(178,548)	(165,478)
<u>Change in cash and cash equivalents</u>	189,822	188,416
<u>Cash and cash equivalents, beginning of year</u>	864,276	675,860
<u>Cash and cash equivalents, end of year</u>	\$ 1,054,098	\$ 864,276
<u>Cash and cash equivalents</u>	\$ 545,780	\$ 393,290
<u>Restricted cash and cash equivalents</u>	508,318	470,986
	\$ 1,054,098	\$ 864,276
<u>Supplemental information</u>		
Cash paid for sales tax	\$ 60,259	\$ 55,268

The accompanying notes are an integral part of the financial statements

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2025 and 2024

	2025		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 135,010	\$ 90,006	\$ 225,016
Depreciation	134,137	7,060	141,197
Repairs and maintenance	173,174	9,114	182,288
Utilities	70,433	7,826	78,259
Insurance	39,253	9,813	49,066
Chemicals	33,481	-	33,481
Office Supplies	-	18,895	18,895
Payroll taxes	9,252	6,168	15,420
Travel expenses	15,319	806	16,125
Other Expenses	11,253	11,253	22,506
Supplies	6,616	735	7,351
Professional services	-	12,223	12,223
License, permits, dues, fees	4,899	4,898	9,797
Training	140	60	200
Total expenses	<u>\$ 632,967</u>	<u>\$ 178,857</u>	<u>\$ 811,824</u>

	2024		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 124,658	\$ 83,106	\$ 207,764
Depreciation	133,100	7,005	140,105
Repairs and maintenance	117,121	6,164	123,285
Utilities	61,684	6,854	68,538
Insurance	36,504	9,126	45,630
Chemicals	37,713	-	37,713
Office Supplies	-	16,574	16,574
Payroll taxes	8,594	5,729	14,323
Travel expenses	4,103	216	4,319
Other Expenses	6,227	6,226	12,453
Supplies	2,949	328	3,277
Professional services	-	32,293	32,293
License, permits, dues, fees	3,966	3,965	7,931
Training	238	102	340
Total expenses	<u>\$ 536,857</u>	<u>\$ 177,688</u>	<u>\$ 714,545</u>

The accompanying notes are an integral part of the financial statements.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025 and 2024

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

Organization and Nature of Operations

The South Sheridan Water Association, Inc. (the “Organization”) is a not-for-profit corporation established under the laws of the State of Arkansas and is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in the surrounding rural community.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Cash and Cash Equivalents

The Organization 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.

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. 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 for delinquent billings or returned to the customer when the account is closed.

An allowance for doubtful accounts is maintained. Accounts receivable is shown net of allowance of doubtful accounts that is \$21,537 as of June 30, 2025 and 2024.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2025 and 2024

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**NOTE 1 (continued)**

Inventory

Inventories consist of various meters, couplings, pipes, parts, etc., used in the customary operations of the Organization. Inventories are stated at lower of cost or net realizable value using the FIFO (first-in, first-out) method of valuation.

Property and Equipment

Property and Equipment 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 / Distribution Systems	20-40 years
Buildings & Improvements	10-25 years
Furniture & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to restrictions that are temporary in nature, such as those that will be met by the passage of time or other specified events or are perpetual in nature, such as those where resources must be maintained in perpetuity.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2025 and 2024

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**NOTE 1 (continued)**

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code and from Arkansas state taxes under similar exemption.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns normally remain open for possible examination for a period of three years after the filing deadline of the respective return.

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.

Date of Management's Review

The Organization evaluated its June 30, 2025, financial statements for subsequent events through August 15, 2025, the date the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2025	2024
Cash and cash equivalents	\$ 1,054,098	\$ 864,276
Receivables	107,987	101,327
	1,162,085	965,603
Less: restricted cash for deposit accounts	(99,834)	(94,547)
Less: restricted cash for debt requirements	(408,484)	(376,439)
Available for general expenditure	\$ 653,767	\$ 494,617

Restricted cash consists of funds held in reserve by the Organization as required by the U.S. Department of Agriculture – Rural Development ("USDA"). In accordance with loan covenants, the USDA requires the Organization to restrict cash for debt service until the balance equals \$85,416, which equals the amount of principal and interest annual payments. In addition, the USDA requires the Organization to restrict cash annually for short-lived asset replacement costs until the balance exceeds \$115,113, which equals the expected cost of assets to be replaced during the life of the loan. It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. The Organization had restricted cash of \$244,772 as of June 30, 2025 for the purpose of satisfying these loan covenants.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2025 and 2024

**NOTE 2 (continued)**

Restricted cash consists of funds held in reserve by the Organization as required by the Arkansas Natural Resource Commission (“ANRC”). In accordance with loan covenants, the ANRC requires the Organization to restrict cash for debt service until the balance equals \$83,487, which equals the amount of principal and interest annual payments. In addition, the USDA requires the Organization to restrict cash annually at a rate of 3% of revenues for short-lived asset replacement costs until the balance exceeds \$100,000, which equals the expected cost of assets to be replaced during the life of the loan. It is the Organization’s policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. The Organization had restricted cash of \$163,712 as of June 30, 2025, for the purpose of satisfying these loan covenants.

An additional reserve is required to be maintained to repay customers’ deposits upon the closing of the customers’ accounts. The total deposits held with the Organization required to be reserved at June 30, 2025 and 2024 are \$99,834 and \$94,547, respectively.

The Organization’s goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$400,000). As part of its liquidity plan, excess cash is held in timed deposits.

**NOTE 3 – CERTIFICATES OF DEPOSIT AND INVESTMENTS**

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at June 30, 2025.

Category 1 – Insured FDIC or secured with securities held by the Organization (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 Organization’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 Organization’s name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization’s bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 1,000,294	\$ 250,000	\$ 750,294	\$ -
Bank B	68,862	68,862	-	-
Total	\$ 1,069,156	\$ 318,862	\$ 750,294	\$ -

The amounts shown are bank ledger balances of the referenced banks’ deposits and may differ from the Organization’s general ledger balances.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2025 and 2024

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following balances at June 30:

	2025	2024
Land	\$ 114,261	\$ 122,761
Distribution system	4,872,128	4,839,648
Water plant facility	301,671	301,671
	5,288,060	5,264,080
Accumulated depreciation	(3,059,624)	(2,918,427)
	\$ 2,228,436	\$ 2,345,653

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consisted of the following at June 30:

	2025	2024
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$3,899, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	\$ 501,749	\$ 539,250
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$2,877, including principal and interest through 2045; interest at 4.375%, secured by property and equipment	453,503	467,838
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$342, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	47,436	49,297
Note payable to the ANRC for the purchase of property and equipment, payable in 60 semi-annual installments of \$55,695, including principal and interest through 2026; interest at 6.75%, secured by property and equipment	52,998	102,590
Note payable to the ANRC for the purchase of property and equipment, payable in 240 monthly installments of \$2,316, including principal and interest through 2040; interest at 2.55%, secured by property and equipment	350,763	369,347
	\$ 1,406,449	\$ 1,528,322

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2025 and 2024

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**NOTE 5 (continued)**

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending June 30:

	Principal	Interest
2026	113,067	106,684
2027	62,460	112,349
2028	64,951	61,708
2029	67,546	64,164
2030	70,252	66,722
2031-2035	396,026	375,935
2036-2040	475,864	458,258
2041-2045	156,283	262,654
2046-2050	-	19,848
	\$ 1,406,449	\$ 1,528,322

**NOTE 6 – COLLABORATIVE AGREEMENT / JOINT VENTURE**

The Organization is in a collaborative agreement with Little Creek Water Association, Inc. (“LCWA”). Under the agreement, the Organization and LCWA share the same office building, water lines, portions of outstanding debt, various fixed assets, and expenses on any given year.

The Organization currently receives payments of \$600 from LCWA on a month-to-month operating lease for the use of the office building. The lease is cancellable by either party at any time. Total rent income received from LCWA for the year ended June 30, 2025 and 2024 was \$5,600.

Fixed asset purchases are split either 50/50 or 40/60 depending on the intended use of the fixed asset. The Organization typically capitalizes the full cost basis of the asset and recognizes the subsequent payments from LCWA as revenue and expenses immediately.

The ANRC debt is shared 50/50 and the total outstanding principal recorded in the statement of financial position and related disclosures are reported on the Organization’s 50% share in the debt and does not represent the full outstanding balance of the debt that the Organization can be held liable for in the case of default by LCWA.

**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 Board of Directors of  
South Sheridan Water Association, Inc.

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 South Sheridan Water Association, Inc., (the "Organization") (a nonprofit organization), which comprise the statement of financial position for the year ended June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 2025-001 that we consider to be significant deficiencies.

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

As part of obtaining reasonable assurance about whether the Organization'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 Organization's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization'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 cursive script that reads "Searcy & Associates LLC". The signature is written in black ink and is positioned above the typed name of the firm.

Searcy & Associates, LLC  
Monticello, Arkansas  
August 15, 2025

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2025

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**SIGNIFICANT DEFICIENCIES**

2025-001 - Segregation of Duties

**Condition:** The Organization 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.

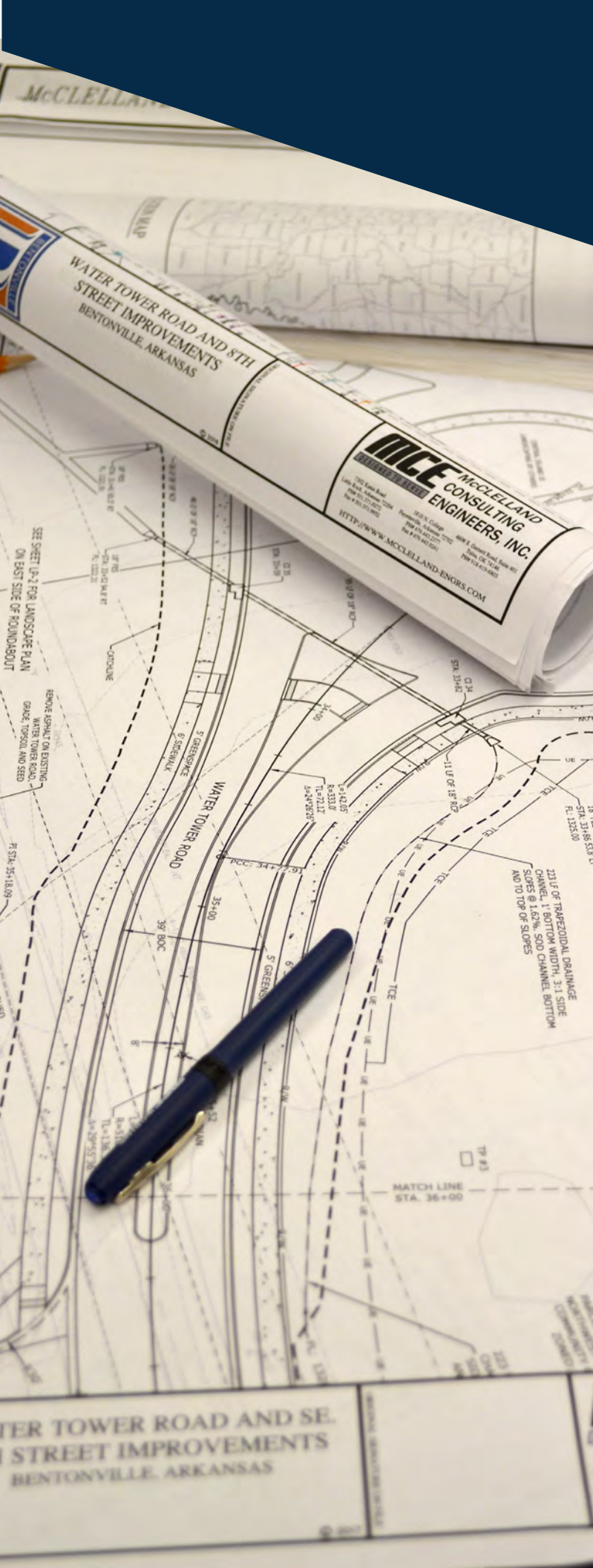
**Cause:** The Organization has limited financial resources which prevent it from properly segregating financial accounting duties.

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

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

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

**SUPPLEMENTAL INFORMATION**



Project Number

**FOR REVIEW ONLY**

Prepared by:

**MCE** McCLELLAND  
CONSULTING  
DESIGNED TO SERVE ENGINEERS, INC.

7302 Kanis Road  
Little Rock, AR 72204

[mce.us.com](http://mce.us.com)

P: (501) 371.0272 | F: (501) 371.9932

# WATER RATE STUDY SOUTH SHERIDAN WATER ASSOCIATION

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## **1.0 Executive Summary**

### **1.1 Purpose**

Act 605 of Arkansas set into law that all water and sewer utilities must have rate studies performed on a regular basis to ensure that the utility will be able to cover its operation and maintenance, debt-service, anticipated capital improvement costs, and fund the Act 605 refurbishment and replacement account. The purpose of this rate study is to evaluate the utility's water rates, determine if they are adequate to meet the above requirements, and recommend a new rate based on the results if necessary.

### **1.2 Report Summary**

The existing water rates for South Sheridan are as follows:

- First 2000 gallons are \$20.25
- Every 1000 gallons over 2000 gallons are an additional \$5.50 until 6000 gallons
- Every 1000 gallons over 6000 gallons are an additional \$4.50

The findings of this report indicate the current rates are not sufficient to meet the costs described above. Refer to page 7 in section 4.3 for recommended rate adjustments.

This report first describes the water system, then details its financial status, and finally provides an adequate water rate structure. New rates are shown in Section 4.

## **2.0 Introduction**

### **2.1 Water System**

The City of Sheridan, located 22 miles Northwest of Pine Bluff along Highway 270, has two water associations that own and operate the water system, South Sheridan Water Association and Little Creek Water Association. South Sheridan Water Association owns and operates a part of the system that serves 1,554 customers (meters). The total amount of water sold to South Sheridan Water Association customers was 93,113,700 gallons which totaled \$608,204.45 in operating income. With total expenditures for the year ending in June 2023 equaling \$919,369, South Sheridan Water Association wishes to adjust their water rates so that the total income matches or exceeds the total expenditures each year. This report will detail the system's financial status and present a new water rate structure designed to meet their fiduciary responsibilities.

## 2.2 Act 605

Arkansas Act 605 requires that all retail water providers in Arkansas have a rate study completed by 2024 to 2026 depending on the size of the water system. With a service population of 1,554, South Sheridan Water Association is required to have a rate study completed by July 1, 2026.

## 3.0 Water System Evaluation

This section will detail the water system's financial status. Table 1 displays the water system's financials for the year ending in June of 2023. Appendices A and B can be referenced for projected financials through the year 2029. Appendix A displays future expense projections with no rate increase in place, while Appendix B displays future expense projections with recommended rate increases.

### 3.1 Comprehensive Cost Analysis

Table 1 shows income and expense in the historical test year ending in June of 2023. The current system requires \$919,369 to cover all its expenditures. In 2023, the system brought in \$608,204.45 in rate revenues. They had a total income of \$891,129.11 which includes the rate revenues, other operating revenues, nonoperating revenues, and expense reimbursements from Little Creek Water Association.

The debt service coverage ratio (DSCR) is a ratio that compares the amount of remaining income after basic operation and maintenance has been covered to handle the systems debt service. A DSCR of 1.1 or higher should be achieved and maintained with rate increases. The DSCR for the water system's year ending in June of 2023 is 0.79 indicating rates are currently not high enough to cover operation and maintenance costs while covering the system's debt services. It is required that South Sheridan increase water rates to meet the DSCR requirement of 1.1. See Table 1 for an overview of income and expenditures.

Debt Service Coverage Ratio=Net Operating Income/Annual Debt

Net Operating Income=Revenue-Operating Expense

Table 1. Income and Expenses in Year Ending June 30<sup>th</sup>, 2023

<b>Income and Expense</b>	
<b>Item</b>	<b>Test Year</b>
<b><u>Expense</u></b>	
	<b><u>Historical 2023</u></b>
Operation and Maintenance (O&M)	\$ 750,486.00
Debt-Service	\$ 168,883.00
Debt-Service Reserve	\$ -
Refurbishment and Replacement (R&R) Account Per Act 605	\$ -
Capital Improvements	\$ -
Income Taxes	\$ -
Other Taxes	\$ -
<b>Total Expenditures</b>	<b>\$ 919,369.00</b>
<b><u>Income *</u></b>	
	<b><u>Historical 2023</u></b>
Rate Revenue (Operating Income)	\$ 608,204.45
Other Operating Revenues	\$ 90,144.66
Nonoperating Revenues	\$ 7,290.00
Expense Reimbursement	\$ 185,490.00
<b>Total Income</b>	<b>\$ 891,129.11</b>

<b>Debt Service Coverage Ratio</b>	
	<b><u>Historical 2023</u></b>
Debt Service	\$ 168,883.00
Operating Revenue (Rate Revenue + Other Operating Revenues)	\$ 883,839.11
Operating Revenue minus O&M	\$ 133,353.11
Debt Coverage Service Ratio (DSCR)	0.79

\* Income was calculated using Monthly Income Statements from July 2022 to June 2023 shown in Appendix G.

### 3.1.1 Operation and Maintenance (O&M) Expenses

From July of 2022 to June of 2023, the system spent \$750,486.00 on operation and maintenance. These expenses include items such as salaries, fuel expenses, electricity, repairs, postage, audits, chemicals, etc. For the purpose of this study, these costs are anticipated to increase by 5% yearly until 2029. The operation and maintenance in future years as shown in Appendix A and Appendix B include this 5% increase. By 2029 it is projected that South Sheridan will have \$1,005,723.02 in O&M costs.

### 3.1.2 Debt-Service

South Sheridan Water Association's existing loan payments total \$168,883.00 per year until 2026 then \$113,188.00 per year from 2027 to 2029 and can be attributed to the following loans:

Loan 1: 4.625% note with the United States Department of Agriculture due in monthly installments of \$3,899 (\$46,788 yearly). This loan will be paid off in 2042.

Loan 2: 4.375% note with the United States Department of Agriculture due in monthly installments of \$2,877 (\$34,524 yearly). This loan will be paid off in 2045.

Loan 3: 4.625% note with the United States Department of Agriculture due in monthly installments of \$342 (\$4,104 yearly). This loan will be paid off in 2042.

Loan 4: 6.75% note with the Arkansas Natural Resources Commission due in semi-yearly installments of \$55,695 (Little Creek Water Association pays for half of this service). This loan will be paid off in 2026.

Loan 5: 2.55% note with the Arkansas Natural Resources Commission due in monthly installments of \$2,316 (\$27,792). This loan will be paid off in 2040.

There are not any anticipated future debt services.

### 3.1.3 Debt-Service Reserve

The system currently has \$349,839 in restricted assets among its debt service reserve accounts. No money is required to be paid into these accounts on a yearly basis.

### 3.1.4 Refurbishment and Replacement (R&R) Account

As of 2023, South Sheridan Water Association was not contributing to a refurbishment replacement account for its water system. Act 605 requires that 5% of system revenue be contributed to an R&R account. This is displayed in the projection charts shown in Appendices A and B.

### 3.1.5 Capital Improvements

This report does not include capital improvement plans as the utility is prioritizing system needs for capital improvements. As capital improvements are planned, the rates may need to be adjusted.

### 3.1.6 Cash Reserves

Table 2. Cash Reserves in 2023

<b>Assets</b>	
Cash and Cash Equivalents	\$ 675,860.00
Receivables	\$ 93,734.00
<b>Total</b>	<b>\$ 769,594.00</b>

<b>Restricted Cash</b>	
For Deposit Accounts	\$ (91,116.00)
For Debt Requirements	\$ (349,839.00)

<b>Total Available for Expenditure</b>	<b>\$ 328,639.00</b>
--	----------------------

There are two bank deposits that total \$769,594 that are considered assets to the system, however only \$328,639 is available for general expenditures as the rest is restricted for debt requirements or other deposit accounts. This cash reserve could cover operation and maintenance expenses for 157 days. It is recommended in the audit that the utility have a cash reserve capable of covering 180 days of expenditures.

### 3.1.7 Expense Reimbursements

South Sheridan Water Association and Little Creek Water Association have a collaborative agreement where they share the same office building, waterlines, portions of outstanding debt, various fixed assets, and expenses on any given year. Little Creek pays expense reimbursements to South Sheridan on a monthly basis. This is shown in the income statements and audit that are in Appendices G and H, respectively. These “Expense Reimbursements” are included in the future projects seen in Appendices A and B.

## 3.2 Comprehensive Revenue and Earnings Analysis

### 3.2.1 Rate Revenue (Operating Income)

In 2023, with 1,554 customers the system collected \$608,204.45 in rate revenue. Their existing water rates are as follows.

- First 2000 gallons are \$20.25
- Every 1000 gallons over 2000 gallons are an additional \$5.50 until 6000 gallons
- Every 1000 gallons over 6000 gallons are an additional \$4.50

A yearly increase will be put in place in 2024 to cover total anticipated expenses. The rate increase options are shown in Table 3.

### 3.2.2 Other Operating Revenues

In the year 2023, “Other operating revenues” include late fee income, new customer fees, inspection and permit fees, and other miscellaneous incomes that are listed in the income statements provided in Appendix G. In the revenue projections, “Other operating revenues” are removed as they are not a consistently reliable source of income.

### 3.2.3 Non-Operating Revenues

The “non-operating revenues” shown in year 2023 are funds from interest income and rent income from Little Creek Water Association. In the revenue projections, “non-operating revenues” shall be shown through 2029.

### 3.3 Asset Management Plan

The asset management plan can be found in Appendix C.

## 4.0 Findings and Recommendations

Currently, South Sheridan Water Association does not generate enough revenue to sustain its operation and maintenance costs. The system relies on general City funds to cover its O&M as well as debt service. South Sheridan does not have the reserve to fund future capital improvement projects. The test year (2023) revealed that the Debt Coverage Service Ratio is 0.79. This is below the required ratio of 1.1. Rates must be increased to allow the system to operate, pay its debts, and maintain itself over the coming years. The new recommended billing rate structures are shown in Table 3.

### 4.1 Types of Rate Structures

Multiple types of water rate structures exist that can be utilized. These rate structures include but are not limited to:

- Increasing Block Rate Structure
- Decreasing Block Rate Structure
- Seasonal Rate Structure
- Uniform Rate Structure

The South Sheridan utilizes a decreasing block rate structure for their water rates. This means that the price of water decreases as the amount used increases. Two of the three options listed in section 4.2 are decreasing block rate structures and the third option is a uniform rate structure that sets an equal base rate that all customers pay.

## 4.2 New Billing Rates

Table 3. New Water Rate Options

<b>Proposed Water Decreasing Block Rate Structure-Option 1</b>					
	<b>Year</b>				
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Rate Revenue Required	\$ 844,054.01	\$ 887,493.07	\$ 903,864.22	\$ 951,755.79	\$ 1,002,041.94
Minimum Monthly Pay Req. Per Customer	\$ 45.06	\$ 47.16	\$ 46.27	\$ 48.58	\$ 50.99
<b>Cost For First 2,000 gal</b>	<b>\$ 23.07</b>	<b>\$ 24.48</b>	<b>\$ 24.10</b>	<b>\$ 25.40</b>	<b>\$ 26.11</b>
<b>Cost For 1,000 gal Over 2,000 gal</b>	<b>\$ 7.00</b>	<b>\$ 7.25</b>	<b>\$ 7.15</b>	<b>\$ 7.45</b>	<b>\$ 7.98</b>
<b>Cost For Every 1,000 gal Over 4,000 gal</b>	<b>\$ 6.07</b>	<b>\$ 6.37</b>	<b>\$ 6.28</b>	<b>\$ 6.71</b>	<b>\$ 7.35</b>
New Total Metered Revenue/Year	\$ 844,466.95	\$ 888,315.89	\$ 875,202.66	\$ 922,832.50	\$ 973,420.11
New DSCR	1.20	1.21	1.31	1.33	1.35

<b>Proposed Water Decreasing Block Rate Structure-Option 2</b>					
	<b>Year</b>				
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Revenue Required	\$ 844,054.01	\$ 887,493.07	\$ 903,864.22	\$ 951,755.79	\$ 1,002,041.94
Minimum Monthly Pay Req. Per Customer	\$ 45.06	\$ 47.16	\$ 46.27	\$ 48.58	\$ 50.99
<b>Cost For First 2,000 gal</b>	<b>\$ 22.53</b>	<b>\$ 23.58</b>	<b>\$ 23.12</b>	<b>\$ 23.89</b>	<b>\$ 24.70</b>
<b>Cost For Every 1,000 gal Over 2,000 gal</b>	<b>\$ 6.67</b>	<b>\$ 7.05</b>	<b>\$ 6.98</b>	<b>\$ 7.51</b>	<b>\$ 8.06</b>
New Total Metered Revenue/Year	\$ 844,257.25	\$ 888,000.05	\$ 874,970.73	\$ 923,029.19	\$ 973,105.25
New DSCR	1.20	1.21	1.31	1.33	1.35

<b>Proposed Uniform Rate Structure-Option 3</b>					
	<b>Year</b>				
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Revenue Required	\$ 844,054.01	\$ 887,493.07	\$ 903,864.22	\$ 951,755.79	\$ 1,002,041.94
<b>Base Rate</b>	<b>\$ 45.06</b>	<b>\$ 47.16</b>	<b>\$ 46.27</b>	<b>\$ 48.58</b>	<b>\$ 50.99</b>
New Total Metered Revenue/Year	\$ 844,144.16	\$ 887,549.13	\$ 874,805.05	\$ 922,704.13	\$ 972,933.46
New DSCR	1.20	1.21	1.31	1.33	1.35

Calculations are based on 93,588,700 gallons sold/year. Calculations are based on 1561 total customers in 2025, increasing 0.46% every year. The yearly rate increases are based on an annual inflation rate of 5% for O&M costs.

The new rates will provide enough funds to cover the required revenue according to Act 605 and will provide an adequate debt service coverage ratio (DSCR) of 1.1 or higher. Appendix B shows how the revenue required was determined.

## 4.3 Findings and Recommendations

Through the rate study it was found that a rate increase is in order for the water system to be able to fund its expenditures. The rate structure chosen by the South Sheridan based on an average water usage of 5,020 gallons per customer per month can be found in Table 4.

Table 4. Chosen Rate Structure

<b>Proposed Water Decreasing Block Rate Structure-Option 1</b>					
	<b>Year</b>				
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Rate Revenue Required	\$ 844,054.01	\$ 887,493.07	\$ 903,864.22	\$ 951,755.79	\$ 1,002,041.94
Minimum Monthly Pay Req. Per Customer	\$ 45.06	\$ 47.16	\$ 46.27	\$ 48.58	\$ 50.99
<b>Cost For First 2,000 gal</b>	<b>\$ 23.07</b>	<b>\$ 24.48</b>	<b>\$ 24.10</b>	<b>\$ 25.40</b>	<b>\$ 26.11</b>
<b>Cost For 1,000 gal Over 2,000 gal</b>	<b>\$ 7.00</b>	<b>\$ 7.25</b>	<b>\$ 7.15</b>	<b>\$ 7.45</b>	<b>\$ 7.98</b>
<b>Cost For Every 1,000 gal Over 4,000 gal</b>	<b>\$ 6.07</b>	<b>\$ 6.37</b>	<b>\$ 6.28</b>	<b>\$ 6.71</b>	<b>\$ 7.35</b>
New Total Metered Revenue/Year	\$ 844,466.95	\$ 888,315.89	\$ 875,202.66	\$ 922,832.50	\$ 973,420.11
New DSCR	1.20	1.21	1.31	1.33	1.35

The rate structure above will increase the base rate for the first 2,000 gallons and the following rates. This will allow South Sheridan to continue using the same decreasing block rate structure but with higher rates. This option will gradually increase the rates through 2029.

## 5.0 Conclusion

The new rates will be implemented in 2025 in order to guarantee the revenue required to operate the system and pay off debt services without subsidizing. Required water rates have been projected through 2029 and will be re-evaluated in the case where new capital improvement projects are proposed. The new rates will provide the capital that South Sheridan Water Association needs to operate the water system and pay their debts.

## 6.0 Certification of Rate Study Provider

The Approved Rate Study Provider List can be found in Appendix D.

## Appendix A

Projected Water Revenue Without Rate Increase: South Sheridan							
Item	Year						
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
<b>Expense</b>							
* Operation and Maintenance (O&M)	\$ 750,486.00	\$ 788,010.30	\$ 827,410.82	\$ 868,781.36	\$ 912,220.42	\$ 957,831.44	\$ 1,005,723.02
Existing Debt-Service	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 113,188.00	\$ 113,188.00	\$ 113,188.00
Future Debt-Service Anticipated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt-Service Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 919,369.00</b>	<b>\$ 956,893.30</b>	<b>\$ 996,293.82</b>	<b>\$ 1,037,664.36</b>	<b>\$ 1,025,408.42</b>	<b>\$ 1,071,019.44</b>	<b>\$ 1,118,911.02</b>
** Refurbishment and Replacement (R&R) Account Per Act 605	\$ -	\$ 32,394.44	\$ 32,394.44	\$ 32,394.44	\$ 32,394.44	\$ 32,394.44	\$ 32,394.44
<b>Revenue Required to Cover Expenditures</b>	<b>\$ 919,369.00</b>	<b>\$ 989,287.74</b>	<b>\$ 1,028,688.26</b>	<b>\$ 1,070,058.80</b>	<b>\$ 1,057,802.87</b>	<b>\$ 1,103,413.89</b>	<b>\$ 1,151,305.46</b>
<b>*** Income</b>							
Income Required to Cover Expenditures	\$ 608,204.45	\$ 608,204.45	\$ 608,204.45	\$ 608,204.45	\$ 608,204.45	\$ 608,204.45	\$ 608,204.45
Other Operating Revenues	\$ 90,144.66	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonoperating Revenues	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00
Expense Reimbursment	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00
<b>Rate Revenue (Operating Income)</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>	<b>\$ 608,204.45</b>
<b>Total Income</b>	<b>\$ 891,129.11</b>	<b>\$ 800,984.45</b>	<b>\$ 800,984.45</b>	<b>\$ 800,984.45</b>	<b>\$ 800,984.45</b>	<b>\$ 800,984.45</b>	<b>\$ 800,984.45</b>
Debt Service	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 113,188.00	\$ 113,188.00	\$ 113,188.00
Operating Revenue minus O&M	\$ 133,353.11	\$ 5,684.15	\$ (33,716.37)	\$ (75,086.91)	\$ (118,525.97)	\$ (164,136.99)	\$ (212,028.57)
Debt Coverage Service Ratio (DSCR)	0.79	0.03	-0.20	-0.44	-1.05	-1.45	-1.87

\*Operation and Maintenance Increased by 5% Each Year

\*\*R&R Account equals 5% of Operating Income

\*\*\*2023 Income is Based on Income Statements from July 2022 to June 2023

## Appendix B

Projected Water Revenue With Rate Increase: South Sheridan						
Item	Year					
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
<b>Expense</b>						
* Operation and Maintenance (O&M)	\$ 788,010.30	\$ 827,410.82	\$ 868,781.36	\$ 912,220.42	\$ 957,831.44	\$ 1,005,723.02
Existing Debt-Service	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 113,188.00	\$ 113,188.00	\$ 113,188.00
Future Debt-Service Anticipated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt-Service Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 956,893.30</b>	<b>\$ 996,293.82</b>	<b>\$ 1,037,664.36</b>	<b>\$ 1,025,408.42</b>	<b>\$ 1,071,019.44</b>	<b>\$ 1,118,911.02</b>
** Refurbishment and Replacement (R&R) Account Per Act 605	\$ 38,570.17	\$ 40,540.19	\$ 42,608.72	\$ 41,995.92	\$ 44,276.47	\$ 46,671.05
<b>Revenue Required to Cover Expenditures</b>	<b>\$ 995,463.47</b>	<b>\$ 1,036,834.01</b>	<b>\$ 1,080,273.07</b>	<b>\$ 1,067,404.34</b>	<b>\$ 1,115,295.92</b>	<b>\$ 1,165,582.07</b>
<b>Income</b>						
Income Required to Cover Expenditures	\$ 764,113.30	\$ 803,513.82	\$ 844,884.36	\$ 832,628.42	\$ 878,239.44	\$ 926,131.02
Other Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonoperating Revenues	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00	\$ 7,290.00
Expense Reimbursement	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00	\$ 185,490.00
<b>Rate Revenue (Operating Income)</b>	<b>\$ 802,683.47</b>	<b>\$ 844,054.01</b>	<b>\$ 887,493.07</b>	<b>\$ 874,624.34</b>	<b>\$ 922,515.92</b>	<b>\$ 972,802.07</b>
<b>Total Income</b>	<b>\$ 995,463.47</b>	<b>\$ 1,036,834.01</b>	<b>\$ 1,080,273.07</b>	<b>\$ 1,067,404.34</b>	<b>\$ 1,115,295.92</b>	<b>\$ 1,165,582.07</b>

Debt Service	\$ 168,883.00	\$ 168,883.00	\$ 168,883.00	\$ 113,188.00	\$ 113,188.00	\$ 113,188.00
Operating Revenue minus O&M	\$ 200,163.17	\$ 202,133.19	\$ 204,201.72	\$ 147,893.92	\$ 150,174.47	\$ 152,569.05
Debt Coverage Service Ratio (DSCR)	1.19	1.20	1.21	1.31	1.33	1.35
Number of Customers	1554	1561	1568	1576	1583	1590
Annualized Revenue Requirement	\$ 802,683.47	\$ 844,054.01	\$ 887,493.07	\$ 874,624.34	\$ 922,515.92	\$ 972,802.07
Monthly Cost Per Customer	\$ 43.05	\$ 45.06	\$ 47.16	\$ 46.27	\$ 48.58	\$ 50.99

\*Operation and Maintenance Increased by 5% Each Year

\*\*R&R Account Equals 5% of Operating Income

## Appendix C

<b>Water System Asset Management Plan</b>											
<u>Asset Type</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Current Price</u>	<u>Annual Maintenance Cost</u>	<u>Year Installed</u>	<u>Useful Life</u>	<u>Anticipated Date of Replacement</u>	<u>Replacement Cost</u>	<u>Projected Failure Consequence</u>	<u>Notes</u>
2"PVC Pipe	210567	LF	\$ 0.45	\$ 95,585.90	NA	1997	50	2047	\$ 4,779,294.89	Breaks	
3"PVC Pipe	5570	LF	\$ 1.36	\$ 7,585.43	NA	1997	50	2047	\$ 379,271.29	Breaks	
4"PVC Pipe	206620	LF	\$ 3.18	\$ 656,559.23	NA	1997	50	2047	\$32,827,961.48	Breaks	
6" PVC Pipe	168830	LF	\$ 4.31	\$ 728,076.04	NA	1997	50	2047	\$36,403,802.01	Breaks	
8" PVC Pipe	59750	LF	\$ 8.14	\$ 486,209.00	NA	1997	50	2047	\$24,310,449.84	Breaks	
10" PVC Pipe	15210	LF	\$ 9.08	\$ 138,090.16	NA	1997	50	2047	\$ 6,904,507.85	Breaks	
12" PVC Pipe	3926	LF	\$ 13.62	\$ 53,465.68	NA	1997	50	2047	\$ 2,673,283.81	Breaks	
Booster Pumps	1	EA	\$ 2,269.73	\$ 2,269.73	NA	1997	20	2017	\$ 113,486.32	End of useful life	
Fire Hydrants	1	LS	\$ 9,078.91	\$ 9,078.91	NA	1997	50	2047	\$ 453,945.29	End of useful life	
Water Meters	1500	EA	\$ 0.91	\$ 1,361.84	NA	1997	20	2030	\$ 68,091.79	Siezed inner parts	
Water Well	2	EA	\$ 3,049.60	\$ 6,099.21	NA	1997	30	2027	\$ 304,960.45	End of useful life	2 wells exist but only 1 in service
Well Pump	2	EA	\$ 4,539.45	\$ 9,078.91	NA	1997	20	2017	\$ 453,945.29	End of useful life	
50,000 Gallon Concrete Detention Basin	1	EA	\$ 6,809.18	\$ 6,809.18	NA	1997	50	2047	\$ 340,458.97	End of useful life	
Lime Feed	1	EA	\$ 4,539.45	\$ 4,539.45	NA	1997	20	2017	\$ 226,972.64	End of useful life	
High Service Pumps	2	EA	\$ 6,809.18	\$ 13,618.36	NA	1997	20	2017	\$ 680,917.93	End of useful life	
High Service Pump Building	1	EA	\$ 9,078.91	\$ 9,078.91	NA	1997	60	2057	\$ 453,945.29	End of useful life	
Horizontal Pressure Filters	3	EA	\$ 4,539.45	\$ 13,618.36	NA	1997	20	2017	\$ 680,917.93	End of useful life	
250,000 Gallon Elevated Tank	1	EA	\$ 18,157.81	\$ 18,157.81	NA	1997	50	2047	\$ 907,890.58	End of useful life	
500,000 Gallon Elevated Tank	1	EA	\$ 43,124.80	\$ 43,124.80	NA	1997	50	2047	\$ 2,156,240.12	End of useful life	
Chlorine Booster Pumps	2	EA	\$ 3,631.56	\$ 7,263.12	NA	1997	20	2030	\$ 363,156.23	End of useful life	
Land	1	LS	\$ 122,761.00	\$ 122,761.00	NA	1997	-				
<b>Total Assets</b>				<b>\$ 2,432,431.00</b>							

Note: All prices are assumptions based on the "water system" total fixed asset amount shown in the June 30, 2023 and 2022 audit

Note: The information presented in the asset management plan, including prices and replacement details, is based on the best available data. Due to limited information, accuracy may vary.

## Appendix D

RATE STUDY PROVIDER APPROVED LIST

Updated November 30, 2023

**Gaunt Engineers, Inc.**

3256 W Hillsboro Street  
El Dorado, AR 71730  
[gauntengineers@suddenlinkmail.com](mailto:gauntengineers@suddenlinkmail.com)  
(870) 862-4231

**Halff Associates, Inc.**

10800 Financial Centre Parkway, Suite 500  
Little Rock, AR 72211  
[MMarlar@Halff.com](mailto:MMarlar@Halff.com)  
(501) 801-2680

**Harbor Environmental, Inc.**

5800 Evergreen Drive  
Little Rock, AR 72205  
[arika@harborenv.com](mailto:arika@harborenv.com)  
(501) 663-8800 (501) 765-0440

**Hawkins-Weir Engineers, Inc.**

110 South 7th Street  
Van Buren, AR 72956  
[brett.peters@hawkins-weir.com](mailto:brett.peters@hawkins-weir.com)  
(479) 474-1227

**Kopke & Associates, Inc.**

13780 Hummingbird Road  
Fayetteville, AR 72701  
[jerry.kopke@kopke.net](mailto:jerry.kopke@kopke.net)  
(479) 879-7740 (479) 409-0416

**Landmark Professional Civil Engineers**

411 North El Mira Avenue, Suite 3  
Russellville, AR 72802  
[jwhitmire@landmarkeng.co](mailto:jwhitmire@landmarkeng.co)  
(501) 224-1000

**McClelland Consulting Engineers, Inc.**

7302 Kanis Road	2120 Waldron Road	1580 East Sterns Street
Little Rock, AR 72204	Fort Smith, AR 72903	Fayetteville, AR 72703
<a href="mailto:bhicks@mce.us.com">bhicks@mce.us.com</a>		
(501) 371-0272	(501) 658-4824	

**Appendix E**

1 State of Arkansas  
2 93rd General Assembly  
3 Regular Session, 2021  
4

As Engrossed: H3/11/21

# A Bill

SENATE BILL 386

5 By: Senator A. Clark  
6 By: Representative Love  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER  
10 PROVIDERS AND RELATED SERVICE; AND FOR OTHER  
11 PURPOSES.  
12  
13

### Subtitle

15 TO AMEND THE LAW CONCERNING RETAIL WATER  
16 PROVIDERS AND RELATED SERVICE.  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

21 SECTION 1. Arkansas Code Title 14, Chapter 234, is amended to add an  
22 additional subchapter to read as follows:

23 Subchapter 8 – Oversight of Retail Water Providers  
24

25 14-234-801. Findings – Definitions.

26 (a) The General Assembly finds that:

27 (1) Oversight of providers in the state is primarily handled by  
28 the Arkansas Natural Resources Commission and the Department of Health;

29 (2) The oversight of these providers is spread out and results  
30 in the inability of a single state entity to monitor and help initiate  
31 necessary changes in public access of water, rate structures, the  
32 sustainability of the providers, and the protection of consumer rights;

33 (3) While local control is important, the current landscape of  
34 providers has the potential to create inefficiencies in service and  
35 instability in fiscal management;

36 (4) Combining smaller providers may be necessary in some areas



1 in order to guarantee dependable and plentiful provision of water and to  
2 avoid unsustainable rate increases;

3 (5) Many providers have an aging workforce, and there is a need  
4 for education of the governing bodies of these providers concerning the  
5 importance of recruiting and retaining an expert workforce; and

6 (6) Training of local, state, and federal leaders on issues  
7 surrounding provider personnel, finances, compliance, and environmental  
8 factors is needed.

9 (b) As used in this subchapter:

10 (1) "Commission" means the Arkansas Natural Resources  
11 Commission;

12 (2) "Provider" means any provider of retail water service; and

13 (3) "Provider board" means the governing body of a provider,  
14 whether the governing body is organized as a board, commission, committee,  
15 council, or other type of entity.

16  
17 14-234-802. Fiscal distress – Improvement plans – Rates and rate  
18 studies.

19 (a)(1) For the purposes of this section, a provider is in fiscal  
20 distress if the provider:

21 (A) Fails to obtain a rate study as required under this  
22 section;

23 (B) Fails to implement a completed rate study required  
24 under this section; or

25 (C) Has been found by the commission to be in significant  
26 noncompliance with rules of the commission because of inadequate funds for  
27 operation and maintenance or inadequate compliance with rules of the  
28 commission.

29 (2) A provider may be found by the commission to be subject to  
30 this section if a member of the provider's board does not receive the  
31 training required under § 14-234-805.

32 (b) The commission shall maintain and publish on the commission's  
33 website a list of providers in fiscal distress.

34 (c)(1) A provider shall obtain a rate study on the following schedule:

35 (A) By July 1, 2024, and every five (5) years thereafter  
36 for a provider that serves five hundred (500) or fewer customers;

1 (B) By July 1, 2025, and every five (5) years thereafter  
2 for a provider that serves five hundred one (501) to one thousand (1,000)  
3 customers; and

4 (C) By July 1, 2026, and every five (5) years thereafter  
5 for a provider that serves more than one thousand (1,000) customers.

6 (2)(A) Rates shall adequately address costs for:

7 (i) Operation and maintenance;

8 (ii) Debt service;

9 (iii) Required reserves;

10 (iv) Depreciation;

11 (v) Future capital expenses;

12 (vi) An annual audit or agreed-upon procedures and  
13 compilation report; and

14 (vii) Other expenses as necessary.

15 (B)(i) The rates recommended in the rate study that is  
16 obtained and chosen by the provider shall be implemented by the provider in  
17 the manner provided under the applicable law for modifying rates.

18 (ii) Except as provided in subdivision  
19 (c)(2)(B)(iii) of this section, an increase in rates recommended in the rate  
20 study shall be implemented within one (1) year of the receipt of the rate  
21 study.

22 (iii) If recommended rates increase the provider's  
23 rates by fifty percent (50%) or more from the fiscal year before the rate  
24 study was completed, the provider may phase in the rate increase over a two-  
25 year period.

26 (d)(1) The commission shall determine by rule the requirements of the  
27 rate study, including without limitation a review of the provider's  
28 refurbishment and replacement account and asset management plan.

29 (2)(A) The rate study shall use as its basis the guidelines of  
30 the American Water Works Association and the Water Environment Federation.

31 (B) The commission shall determine by rule an appropriate  
32 entity to provide guidelines for the rate study to use as its basis if  
33 guidelines of the American Water Works Association and the Water Environment  
34 Federation are unavailable.

35 (e) A provider shall deposit a minimum of five percent (5%) per annum  
36 of gross revenues in a dedicated refurbishment and replacement account within

1 twelve (12) months of implementation of the rate, unless a different amount  
2 is determined by a rate study.

3 (f)(1) The commission shall maintain an approved list of entities to  
4 conduct rate studies required by this section, including without limitation  
5 the Arkansas Rural Water Association, professional engineers, certified  
6 public accountants, economists, and actuaries.

7 (2) If a provider chooses an entity to conduct the rate study  
8 that is not on the approved list of entities, the entity is required to have  
9 conducted at least one (1) rate study in the state in the previous five-year  
10 period.

11 (g)(1) To ensure fiscal soundness, the commission shall consider and  
12 approve a new provider with fewer than three hundred (300) customers within  
13 the proposed service area only if:

14 (A) The commission determines that public health or the  
15 environment is threatened without the approval of the new provider; or

16 (B) There is no other viable alternative.

17 (2) A new provider with fewer than three hundred (300) customers  
18 seeking approval shall:

19 (A) Be organized through a political subdivision,  
20 including without limitation an improvement district, a county, or a  
21 municipality;

22 (B) Demonstrate the ability to remain fiscally  
23 sustainable; and

24 (C) Complete a technical, financial, and managerial  
25 capacity review conducted by the commission.

26 (h)(1) A provider that plans to undertake a major development project  
27 shall obtain a rate study or amend the provider's existing rate study before  
28 beginning the major development project to include consideration of the  
29 financial impact of the major development project on the fiscal  
30 sustainability of the provider.

31 (2) As used in this subsection, "major development project"  
32 means a project that exceeds twenty percent (20%) of gross revenues of the  
33 provider for the immediately preceding fiscal year.

34 (i) A provider shall file its most recent rate study annually with  
35 Arkansas Legislative Audit at the same time the provider files its audit  
36 report or agreed-upon procedures and compilation report as required under §

1 14-234-120.

2 (j)(1) The commission shall annually identify and notify a provider if  
3 the provider is in fiscal distress.

4 (2) The provider may appeal the finding to the Pulaski County  
5 Circuit Court.

6 (k)(1) A provider found to be in fiscal distress shall file an  
7 improvement plan with the commission, including without limitation specific  
8 action to be taken to correct financial, technical, and managerial  
9 deficiencies, within ninety (90) days of the finding of fiscal distress.

10 (2)(A) Upon receipt of the improvement plan under this  
11 subsection, the commission shall review the improvement plan and:

12 (i) Approve the improvement plan in whole or in  
13 part;

14 (ii) Modify the improvement plan; or

15 (iii) Deny the improvement plan.

16 (B) At the time the commission determines that the  
17 provider is no longer in fiscal distress, the commission shall remove the  
18 fiscal distress designation and notify the provider.

19 (l) If a provider is found to be in fiscal distress, the provider  
20 shall not receive state financial assistance for water operations until an  
21 improvement plan that has been approved by the commission is in place, unless  
22 the financial assistance is immediately necessary to ensure preservation of  
23 the public peace, health, and safety, as determined by the commission.

24 (m) If the provider is found to be in fiscal distress, the provider  
25 shall obtain written authorization from the commission to:

26 (1) Incur additional debt;

27 (2) Accept assistance for the refurbishment or replacement of  
28 facilities or construction of facilities not within the provider's  
29 improvement plan; or

30 (3) Transfer assets to another entity.

31  
32 14-234-803. Workforce recruitment and retention – Education.

33 A provider shall:

34 (1) Work with the Association of Arkansas Counties and the  
35 Arkansas Municipal League to develop training for leaders of the county or  
36 municipality;

1           (2) Provide suitable compensation and incentives to encourage  
2 individuals to consider a career with the provider; and

3           (3) Promote the recruitment, education, and licensing of  
4 employees of the provider.

5  
6           14-234-804. Municipal providers – Provision of water to nonresident  
7 customers – Advisory committee.

8           (a)(1) If a municipal provider is unable or unwilling to provide  
9 service to a nonresident property owner residing in the provider's service  
10 area, the commission may require the municipal provider to release the  
11 nonresident property owner to a willing provider.

12           (2) If required by the willing provider, a nonresident property  
13 owner may be required to pay the costs of necessary extensions to connect to  
14 the willing provider.

15           (3) A municipal provider shall not release a service area of the  
16 municipal provider if the release would invalidate or encumber the issuance  
17 or retirement of a bond, promissory note, or certificate of indebtedness  
18 related to the service area.

19           (b)(1) A municipal provider that is willing to provide service to  
20 areas outside the municipal boundaries and within its service area shall do  
21 so through an application made by the affected property owner or through an  
22 agreement executed by the municipal provider and the affected property owner.

23           (2) If the municipal provider has a prerequisite that the  
24 affected property owner annex into the municipal boundaries before providing  
25 service, the prerequisite shall be clearly defined in an application or  
26 agreement.

27           (3) Failure to clearly define any annexation requirement within  
28 the application or agreement prohibits the municipal provider from requiring  
29 annexation in exchange for service for those areas without agreement from the  
30 affected property owner.

31           (c)(1) If a municipal provider services customers outside the  
32 municipal boundaries of the municipal provider and the number of those  
33 customers outside the municipal boundaries and in unincorporated areas equals  
34 or exceeds twenty percent (20%) of the total customer base of the municipal  
35 provider, a nonvoting advisory committee to the municipal provider board  
36 shall be created by the governing body of the municipality in which the

1 municipal provider is located.

2 (2) The makeup and duties of an advisory committee created under  
3 subdivision (c)(1) of this section shall be determined by the governing body  
4 of the municipality that creates the advisory committee.

5 (3) Two (2) nonresident customers from the area served outside  
6 the municipal boundaries and in unincorporated areas shall serve on the  
7 advisory committee.

8 (d) The commission shall intervene if a municipal provider:

9 (1) Is prohibited from providing water to potential customers  
10 within the municipal provider's service area by the political subdivision  
11 under which the municipal provider is organized;

12 (2) Practices business irresponsibly in relation to consumer  
13 rights; or

14 (3) Is not following best management practices in providing  
15 water service.

16 (e) Except as otherwise provided in this section, a consumer shall not  
17 be denied access to service if suitable distribution and collection  
18 infrastructure already exists or if the consumer is willing to pay for  
19 suitable distribution and collection infrastructure, unless:

20 (1) A municipal provider has made the decision not to extend  
21 service outside the municipal boundaries of the municipal provider;

22 (2) An engineering, capacity, physical feasibility, or fiscal  
23 feasibility issue exists as determined by a professional engineer or  
24 certified public accountant; or

25 (3) A consumer does not submit an application or enter into an  
26 agreement under subsection (b) of this section.

27

28 14-234-805. Training.

29 (a)(1)(A) Within one (1) year of election or appointment, a majority  
30 of the members of a provider board shall receive a minimum of eight (8) hours  
31 of provider training as promulgated by rule of the commission.

32 (B) A member of a provider board as of January 1, 2021,  
33 shall receive the training required under this section by December 31, 2022.

34 (2) If a majority of the members of a provider board do not  
35 receive the training required under this section, the commission may find the  
36 provider is subject to § 14-234-802.

1           (3) This section does not apply to a member of a provider board  
2 who has served on the provider board for ten (10) years or more.

3           (b) The commission shall consult with an advisory training board for  
4 the development of the training required under this section, whose members  
5 shall include without limitation:

6           (1) The Secretary of the Department of Health or his or her  
7 designee;

8           (2) The Director of the Arkansas Natural Resources Commission or  
9 his or her designee;

10           (3) The State Director of the United States Department of  
11 Agriculture Rural Development in Arkansas or his or her designee;

12           (4) The Chief Executive Officer of the Arkansas Rural Water  
13 Association or his or her designee;

14           (5) The Executive Director of the Association of Arkansas  
15 Counties or his or her designee;

16           (6) The Executive Director of the Arkansas Municipal League or  
17 his or her designee;

18           (7) The Chief Executive Officer of Central Arkansas Water or his  
19 or her designee;

20           (8) The Chair of the Board of Directors of Communities  
21 Unlimited, Inc. or his or her designee;

22           (9) The Chair of the Arkansas Water Works and Water Environment  
23 Association, Inc. or his or her designee;

24           (10) The Director of the Arkansas Environmental Training Academy  
25 or his or her designee;

26           (11) The Chair of the House Committee on City, County, and Local  
27 Affairs;

28           (12) The Vice Chair of the House Committee on City, County, and  
29 Local Affairs;

30           (13) The Chair of the Senate Committee on City, County, and  
31 Local Affairs;

32           (14) The Vice Chair of the Senate Committee on City, County, and  
33 Local Affairs; and

34           (15) The President of the Arkansas Water and Wastewater Managers  
35 Association.

36

1 14-234-806. Rules.

2 The commission shall promulgate rules necessary to implement this  
3 subchapter.

4  
5 14-234-807. Applicability.

6 This subchapter does not apply to:

7 (1) A water system regulated by the Arkansas Public Service  
8 Commission as a public utility under § 23-1-101(9);

9 (2) A municipal utility system owned or operated by a  
10 municipality that provides electric service to retail customers in addition  
11 to water service, including an electric system:

12 (A) Managed or operated by a nonprofit corporation under §  
13 14-199-701 et seq.; or

14 (B) Owned or operated by a municipality or by a  
15 consolidated utility district under the General Consolidated Public Utility  
16 System Improvement District Law, § 14-217-101 et seq.;

17 (3) A privately owned provider that supplies the majority of its  
18 retail water service to nonresidential customers; or

19 (4) A water system operated jointly between two (2)  
20 municipalities in which each municipality is located in a different state.

21  
22 SECTION 2. TEMPORARY LANGUAGE. DO NOT CODIFY. Rules.

23 (a) When adopting the initial rules to implement this act, the  
24 commission shall file the final rules with the Secretary of State for  
25 adoption under § 25-15-204(f):

26 (1) On or before January 1, 2022; or

27 (2) If approval under § 10-3-309 has not occurred by January 1,  
28 2022, as soon as practicable after approval under § 10-3-309.

29 (b) The commission shall file the proposed rules with the Legislative  
30 Council under § 10-3-309(c) sufficiently in advance of January 1, 2022, so  
31 that the Legislative Council may consider the rules for approval before  
32 January 1, 2022.

33  
34 /s/A. Clark

35 APPROVED: 4/5/21

**Appendix F**

1 State of Arkansas  
2 94th General Assembly  
3 Regular Session, 2023  
4

As Engrossed: H3/13/23

# A Bill

HOUSE BILL 1515

5 By: Representative Maddox  
6 By: Senator Rice  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER  
10 PROVIDERS AND RELATED SERVICE; AND FOR OTHER  
11 PURPOSES.  
12  
13

### Subtitle

14 TO AMEND THE LAW CONCERNING RETAIL WATER  
15 PROVIDERS AND RELATED SERVICE.  
16  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

21 SECTION 1. Arkansas Code § 14-234-802(c), concerning the schedule that  
22 a provider is required to use to obtain a rate study and the rate changes  
23 following a rate study, is amended to read as follows:

24 (c)(1) A provider shall obtain a rate study on the following schedule:

25 (A) By July 1, 2024, and every five (5) years thereafter  
26 for a provider that serves five hundred (500) or fewer customers;

27 (B) By July 1, 2025, and every five (5) years thereafter  
28 for a provider that serves five hundred one (501) to one thousand (1,000)  
29 customers; and

30 (C) By July 1, 2026, and every five (5) years thereafter  
31 for a provider that serves more than one thousand (1,000) customers.

32 (2)(A) Rates and other revenue dedicated to the support of the  
33 provider's water system shall adequately address costs for:

34 (i) Operation and maintenance;

35 (ii) Debt service;

36 (iii) Required reserves;



- 1 (iv) Depreciation;  
 2 (v) Future capital expenses;  
 3 (vi) ~~A~~ Preparation of an annual audit or agreed-upon  
 4 procedures and compilation report as required by law; and  
 5 (vii) Other expenses as necessary.

6 (B)(i) The rates recommended in the rate study that is  
 7 obtained and chosen by the provider shall be implemented by the provider in  
 8 the manner provided under the applicable law for modifying rates.

9 (ii) Except as provided in subdivision (c)(2)(B)(iii)  
 10 of this section, an increase in rates recommended in the rate study shall be  
 11 implemented within one (1) year of the receipt of the rate study.

12 (iii) If recommended rates increase the provider's  
 13 rates by fifty percent (50%) or more from the fiscal year before the rate  
 14 study was completed, the provider may phase in the rate increase over a two-  
 15 year period.

16 (iv) If through the rate study it is recommended  
 17 that a series of rate increases be implemented over a period of time that  
 18 exceeds the periods of time required in subdivision (c)(2)(B)(ii) and (iii)  
 19 of this section, the provider may implement the series of rate increases  
 20 without regard to the limitations of subdivisions (c)(2)(B)(ii) and (iii) of  
 21 this section, provided that the series of rate increases conform with the  
 22 recommendations of the rate study.

23  
 24 SECTION 2. Arkansas Code § 14-234-802(e), concerning the deposit of  
 25 gross revenues required by a provider, is amended to read as follows:

26 (e)(1) A Each provider shall deposit a minimum of five percent (5%)  
 27 per annum of gross revenues in a dedicated refurbishment and replacement  
 28 ~~account within twelve (12) months of implementation of the rate, unless a~~  
 29 ~~different amount is determined by a rate study.~~

30 (2) The provider may spend any amount of the provider's cash  
 31 savings referenced in subdivision (e)(1) of this section at any time for  
 32 refurbishment and replacement of the provider's water system facilities and  
 33 other real property.

34 (3) If a different amount is determined by a rate study, then  
 35 the amount determined by the rate study shall be deposited into a dedicated  
 36 refurbishment and replacement account.

1  
2 SECTION 3. Arkansas Code § 14-234-802(h), concerning the requirement  
3 for a provider to obtain a rate study or amend a rate study before beginning  
4 a major development project, is repealed.

5 ~~(h)(1) A provider that plans to undertake a major development project~~  
6 ~~shall obtain a rate study or amend the provider's existing rate study before~~  
7 ~~beginning the major development project to include consideration of the~~  
8 ~~financial impact of the major development project on the fiscal~~  
9 ~~sustainability of the provider.~~

10 ~~(2) As used in this subsection, "major development project"~~  
11 ~~means a project that exceeds twenty percent (20%) of gross revenues of the~~  
12 ~~provider for the immediately preceding fiscal year.~~

13  
14 SECTION 4. Arkansas Code § 14-234-805(a)(1)(B), concerning the  
15 training required for members of a provider board, is amended to read as  
16 follows:

17 (B) A member of a provider board ~~as of January 1, 2021,~~  
18 shall receive the training required under this section by the later of the  
19 member's first anniversary of service or December 31, 2022 2023.

20  
21 SECTION 5. Arkansas Code § 14-234-807 is amended to read as follows:  
22 14-234-807. Applicability.

23 This subchapter does not apply to:

24 (1) A water system regulated by the Arkansas Public Service  
25 Commission as a public utility under § 23-1-101;

26 (2) A municipal utility system owned or operated by a  
27 municipality that provides electric service to retail customers in addition  
28 to water service, including an electric system:

29 (A) Managed or operated by a nonprofit corporation under §  
30 14-199-701 et seq.; or

31 (B) Owned or operated by a municipality or by a  
32 consolidated utility district under the General Consolidated Public Utility  
33 System Improvement District Law, § 14-217-101 et seq.;

34 (3) A privately owned provider that supplies the majority of its  
35 retail water service to nonresidential customers; ~~or~~

36 (4) A water system operated jointly between two (2)

1 municipalities in which each municipality is located in a different state; or  
2 (5) A provider during the time that the provider is subject to a  
3 federal court decree or judgment for remediation efforts related to the  
4 provider's water system, wastewater system, or water and wastewater systems  
5 for the purpose of compliance with federal law.

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7 /s/Maddox

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10 **APPROVED: 4/11/23**  
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## Appendix G

**Income Statement**  
**Current vs Year-to-date**  
**7/1/2022 to 7/31/2022**

	<b>Jul 2022</b>	<b>Jul 2022</b>
	<b>Jul 2022</b>	<b>Jul 2022</b>
	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>		
Health Dept Fees	614.40	614.40
Inspection & Permits	290.00	290.00
Interest Revenue	36.70	36.70
Late Charge Income	1,023.58	1,023.58
LCWA Monthly Expense Paid	17,575.63	17,575.63
LCWA Monthly Office Rent	400.00	400.00
Memberships	120.00	120.00
Misc Income	2,200.00	2,200.00
Penalties/Adjustments	1,135.60	1,135.60
Sprinkler Charge Income	99.50	99.50
New Taps	5,300.00	5,300.00
Water Revenue	44,210.55	44,210.55
Sales Tax	3,615.25	3,615.25
<b>Total Revenue</b>	<b>\$76,621.21</b>	<b>\$76,621.21</b>
<b>Total Gross Profit</b>	<b>\$76,621.21</b>	<b>\$76,621.21</b>

**Expenses**

Gross Wages	19,240.46	19,240.46
Federal Unemployment	25.12	25.12
Insurance - Employee Health	979.12	979.12
Medicare	279.00	279.00
Soc Sec -Empir Part	1,192.90	1,192.90
State Unemployment	12.56	12.56
Health Depart Fees	7,368.00	7,368.00
Fuel Expense	1,286.19	1,286.19
Parts Purchases	4,714.43	4,714.43
Plant Chemicals	507.60	507.60
Equipment Maintenance	6,361.98	6,361.98
Repair & Maintenance	1,520.00	1,520.00
Office Expense	868.06	868.06
Supplies - Shop Tools, Ect	257.88	257.88
Mileage Expense	10.00	10.00
Postage	633.66	633.66
Electricity	158.82	158.82
Gas	10.80	10.80
Plant Electricity	6,023.14	6,023.14
Plant Gas	10.60	10.60
Plant Telephone	566.76	566.76
Telephone	241.51	241.51
Water Expense	266.22	266.22
Schools & Seminars	160.00	160.00
Bank Charges	45.00	45.00
Misc Expense	778.98	778.98
Plant Expenses	6,485.00	6,485.00
Sales Tax	4,840.00	4,840.00
Shop Expense	849.74	849.74
<b>Total Expenses</b>	<b>\$65,693.53</b>	<b>\$65,693.53</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$10,927.68</b>	<b>\$10,927.68</b>
<b>Total Net Income (Loss)</b>	<b>\$10,927.68</b>	<b>\$10,927.68</b>

**Income Statement**  
**Current vs Year-to-date**  
**8/1/2022 to 8/31/2022**

	Aug 2022 Aug 2022 Actual	Jul 2022 Aug 2022 Actual
<b>Revenue</b>		
Health Dept Fees	618.40	1,232.80
Inspection & Permits	1,015.00	1,305.00
Interest Revenue	101.14	137.84
Late Charge Income	697.29	1,720.87
LCWA Monthly Expense Paid	14,111.94	31,687.57
LCWA Monthly Office Rent	400.00	800.00
Memberships	180.00	300.00
Misc Income	5,400.00	7,600.00
Penalties/Adjustments	1,403.99	2,539.59
Sprinkler Charge Income	99.50	199.00
New Taps	2,100.00	7,400.00
Water Revenue	77,744.65	121,955.20
Sales Tax	6,406.70	10,021.95
<b>Total Revenue</b>	<b>\$110,278.61</b>	<b>\$186,899.82</b>
<b>Total Gross Profit</b>	<b>\$110,278.61</b>	<b>\$186,899.82</b>

**Expenses**

Gross Wages	11,622.21	30,862.67
Federal Unemployment	3.15	28.27
Insurance - Employee Health	1,515.50	2,494.62
Medicare	168.53	447.53
Soc Sec -Emplr Part	720.60	1,913.50
State Unemployment	7.45	20.01
Dues & Membership Expense	35.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	1,366.21	2,652.40
Parts Purchases	9,066.91	13,781.34
Plant Chemicals	5,081.96	5,589.56
Equipment Maintenance	874.36	7,236.34
Repair & Maintenance	9,799.13	11,319.13
Office Expense	703.89	1,571.95
Supplies - Shop Tools, Ect	487.98	745.86
Mileage Expense	0.00	10.00
Postage	523.80	1,157.46
Electricity	200.51	359.33
Gas	10.80	21.60
Plant Electricity	6,562.91	12,586.05
Plant Gas	10.60	21.20
Plant Telephone	567.52	1,134.28
Telephone	241.95	483.46
Water Expense	113.75	379.97
Professional Fees	6,250.00	6,250.00
Schools & Seminars	0.00	160.00
Bank Charges	45.00	90.00
Misc Expense	576.49	1,355.47
Plant Expenses	20,969.32	27,454.32
Sales Tax	3,543.00	8,383.00
Shop Expense	709.33	1,559.07

**Income Statement**  
**Current vs Year-to-date**  
**8/1/2022 to 8/31/2022**

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	<b>Aug 2022</b>	<b>Jul 2022</b>
	<b>Aug 2022</b>	<b>Aug 2022</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Auto & Equi	23.89	23.89
<b>Total Expenses</b>	<b>\$81,801.75</b>	<b>\$147,495.28</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$28,476.86</b>	<b>\$39,404.54</b>
<b>Total Net Income (Loss)</b>	<b>\$28,476.86</b>	<b>\$39,404.54</b>

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**Income Statement**  
**Current vs Year-to-date**  
**9/1/2022 to 9/30/2022**

	<b>Sep 2022</b> <b>Sep 2022</b> <b>Actual</b>	<b>Jul 2022</b> <b>Sep 2022</b> <b>Actual</b>
<b>Revenue</b>		
Health Dept Fees	619.20	1,852.00
Inspection & Permits	290.00	1,595.00
Interest Revenue	130.77	268.61
Late Charge Income	1,370.43	3,091.30
LCWA Monthly Expense Paid	11,808.83	43,496.40
LCWA Monthly Office Rent	400.00	1,200.00
Memberships	75.00	375.00
Misc Income	14,852.95	22,452.95
Penalties/Adjustments	664.36	3,203.95
Sprinkler Charge Income	99.50	298.50
New Taps	2,100.00	9,500.00
Water Revenue	50,108.85	172,064.05
Sales Tax	4,161.16	14,183.11
<b>Total Revenue</b>	<b>\$86,681.05</b>	<b>\$273,580.87</b>
<b>Total Gross Profit</b>	<b>\$86,681.05</b>	<b>\$273,580.87</b>

**Expenses**

Gross Wages	19,018.61	49,881.28
Federal Unemployment	17.85	46.12
Insurance - Employee Health	1,614.35	4,108.97
Medicare	275.77	723.30
Soc Sec -Empir Part	1,179.15	3,092.65
State Unemployment	12.06	32.07
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	870.52	3,522.92
Parts Purchases	3,688.73	17,470.07
Plant Chemicals	1,775.77	7,365.33
Equipment Maintenance	71.06	7,307.40
Repair & Maintenance	13,299.41	24,618.54
Office Expense	1,094.90	2,666.85
Supplies - Shop Tools, Ect	530.75	1,276.61
Mileage Expense	0.00	10.00
Postage	522.54	1,680.00
Electricity	194.57	553.90
Gas	10.80	32.40
Plant Electricity	6,985.79	19,571.84
Plant Gas	10.60	31.80
Plant Telephone	628.93	1,763.21
Telephone	257.77	741.23
Water Expense	313.04	693.01
Professional Fees	715.50	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	129.55	219.55
Misc Expense	1,340.35	2,695.82
Plant Expenses	2,201.92	29,656.24
Sales Tax	6,277.00	14,660.00
Shop Expense	706.37	2,265.44

**Income Statement**  
**Current vs Year-to-date**  
**9/1/2022 to 9/30/2022**

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	<b>Sep 2022</b>	<b>Jul 2022</b>
	<b>Sep 2022</b>	<b>Sep 2022</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Auto & Equi	0.00	23.89
<b>Total Expenses</b>	<b>\$63,743.66</b>	<b>\$211,238.94</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$22,937.39</b>	<b>\$62,341.93</b>
<b>Total Net Income (Loss)</b>	<b>\$22,937.39</b>	<b>\$62,341.93</b>

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**Income Statement**  
**Current vs Year-to-date**  
**10/1/2022 to 10/31/2022**

	Oct 2022 Oct 2022 Actual	Jul 2022 Oct 2022 Actual
<b>Revenue</b>		
Health Dept Fees	619.20	2,471.20
Inspection & Permits	870.00	2,465.00
Interest Revenue	179.83	448.44
Late Charge Income	713.08	3,804.38
LCWA Monthly Expense Paid	12,977.48	56,473.88
LCWA Monthly Office Rent	400.00	1,600.00
Memberships	105.00	480.00
Misc Income	4,600.00	27,052.95
Penalties/Adjustments	1,612.51	4,816.46
Sprinkler Charge Income	99.50	398.00
New Taps	2,950.00	12,450.00
Water Revenue	54,324.60	226,388.65
Sales Tax	4,453.32	18,636.43
<b>Total Revenue</b>	<b>\$83,904.52</b>	<b>\$357,485.39</b>
<b>Total Gross Profit</b>	<b>\$83,904.52</b>	<b>\$357,485.39</b>

**Expenses**

Gross Wages	13,460.15	63,341.43
Federal Unemployment	14.25	60.37
Insurance - Employee Health	1,495.79	5,604.76
Medicare	195.17	918.47
Soc Sec -Emplr Part	834.55	3,927.20
State Unemployment	7.12	39.19
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	841.98	4,364.90
Parts Purchases	5,592.67	23,062.74
Plant Chemicals	1,219.44	8,584.77
Equipment Maintenance	514.86	7,822.26
Repair & Maintenance	5,979.29	30,597.83
Office Expense	766.10	3,432.95
Supplies - Shop Tools, Ect	548.40	1,825.01
Mileage Expense	0.00	10.00
Postage	520.98	2,200.98
Electricity	183.55	737.45
Gas	10.80	43.20
Plant Electricity	7,169.32	26,741.16
Plant Gas	10.60	42.40
Plant Telephone	593.85	2,357.06
Telephone	247.38	988.61
Water Expense	154.00	847.01
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	30.00	249.55
Misc Expense	1,249.06	3,944.88
Plant Expenses	0.00	29,656.24
Sales Tax	4,076.00	18,736.00
Shop Expense	421.20	2,686.64

**Income Statement**  
**Current vs Year-to-date**  
**10/1/2022 to 10/31/2022**

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	<b>Oct 2022</b>	<b>Jul 2022</b>
	<b>Oct 2022</b>	<b>Oct 2022</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Auto & Equi	0.00	23.89
<b>Total Expenses</b>	<b>\$46,136.51</b>	<b>\$257,375.45</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$37,768.01</b>	<b>\$100,109.94</b>
<b>Total Net Income (Loss)</b>	<b>\$37,768.01</b>	<b>\$100,109.94</b>

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**Income Statement**  
**Current vs Year-to-date**  
**11/1/2022 to 11/30/2022**

	Nov 2022 Nov 2022 Actual	Jul 2022 Nov 2022 Actual
<b>Revenue</b>		
Health Dept Fees	623.20	3,094.40
Inspection & Permits	0.00	2,465.00
Interest Revenue	223.39	671.83
Late Charge Income	820.06	4,624.44
LCWA Monthly Expense Paid	9,973.34	66,447.22
LCWA Monthly Office Rent	400.00	2,000.00
Memberships	90.00	570.00
Misc Income	0.00	27,052.95
Penalties/Adjustments	1,166.01	5,982.47
Sprinkler Charge Income	99.50	497.50
New Taps	0.00	12,450.00
Water Revenue	50,043.40	276,432.05
Sales Tax	4,120.38	22,756.81
<b>Total Revenue</b>	<b>\$67,559.28</b>	<b>\$425,044.67</b>
<b>Total Gross Profit</b>	<b>\$67,559.28</b>	<b>\$425,044.67</b>

**Expenses**

Gross Wages	19,131.63	82,473.06
Federal Unemployment	19.61	79.98
Insurance - Employee Health	1,328.87	6,933.63
Medicare	277.39	1,195.86
Soc Sec -Empir Part	1,186.16	5,113.36
State Unemployment	11.15	50.34
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	1,757.57	6,122.47
Parts Purchases	17,729.34	40,792.08
Plant Chemicals	7,096.91	15,681.68
Equipment Maintenance	3,931.89	11,754.15
Repair & Maintenance	659.00	31,256.83
Office Expense	620.56	4,053.51
Supplies - Shop Tools, Ect	246.58	2,071.59
Mileage Expense	0.00	10.00
Postage	645.66	2,846.64
Electricity	146.12	883.57
Gas	25.67	68.87
Plant Electricity	6,637.70	33,378.86
Plant Gas	17.78	60.18
Plant Telephone	593.49	2,950.55
Telephone	246.53	1,235.14
Water Expense	215.58	1,062.59
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	20.00	269.55
Misc Expense	609.28	4,554.16
Plant Expenses	1,945.00	31,601.24
Sales Tax	4,362.00	23,098.00
Shop Expense	243.08	2,929.72
Taxes & Licenses - Auto & Equi	0.00	23.89

**Income Statement**  
**Current vs Year-to-date**  
**11/1/2022 to 11/30/2022**

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	<b>Nov 2022</b>	<b>Jul 2022</b>
	<b>Nov 2022</b>	<b>Nov 2022</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Employee	50.00	50.00
<b>Total Expenses</b>	<b>\$69,754.55</b>	<b>\$327,130.00</b>
<b>Total Net Income (Loss) From Operations</b>	<b>(\$2,195.27)</b>	<b>\$97,914.67</b>
<b>Total Net Income (Loss)</b>	<b>(\$2,195.27)</b>	<b>\$97,914.67</b>

**Income Statement**  
**Current vs Year-to-date**  
**12/1/2022 to 12/31/2022**

	<b>Dec 2022</b>	<b>Jul 2022</b>
	<b>Dec 2022</b>	<b>Dec 2022</b>
	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>		
Health Dept Fees	623.20	3,717.60
Inspection & Permits	0.00	2,465.00
Interest Revenue	227.76	899.59
Late Charge Income	925.97	5,550.41
LCWA Monthly Expense Paid	15,281.02	81,728.24
LCWA Monthly Office Rent	400.00	2,400.00
Memberships	60.00	630.00
Misc Income	0.00	27,052.95
Penalties/Adjustments	763.43	6,745.90
Sprinkler Charge Income	99.50	597.00
New Taps	0.00	12,450.00
Water Revenue	45,208.10	321,640.15
Sales Tax	3,711.98	26,468.79
<b>Total Revenue</b>	<b>\$67,300.96</b>	<b>\$492,345.63</b>
<b>Total Gross Profit</b>	<b>\$67,300.96</b>	<b>\$492,345.63</b>

**Expenses**

Gross Wages	19,868.73	102,341.79
Federal Unemployment	1.58	81.56
Insurance - Employee Health	1,731.85	8,665.48
Medicare	288.08	1,483.94
Soc Sec -Empir Part	1,231.84	6,345.20
State Unemployment	7.25	57.59
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	485.78	6,608.25
Insurance - Association	37,270.00	37,270.00
Parts Purchases	3,402.26	44,194.34
Plant Chemicals	1,196.41	16,878.09
Equipment Maintenance	16.46	11,770.61
Repair & Maintenance	3,420.08	34,676.91
Office Expense	2,811.44	6,864.95
Supplies - Shop Tools, Ect	69.67	2,141.26
Mileage Expense	0.00	10.00
Postage	528.98	3,375.62
Electricity	116.03	999.60
Gas	59.42	128.29
Plant Electricity	5,235.80	38,614.66
Plant Gas	55.26	115.44
Plant Telephone	593.49	3,544.04
Telephone	249.33	1,484.47
Water Expense	139.94	1,202.53
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	0.00	269.55
Misc Expense	1,489.10	6,043.26
Plant Expenses	1,301.48	32,902.72
Sales Tax	4,033.00	27,131.00
Shop Expense	1,212.07	4,141.79

**Income Statement**  
**Current vs Year-to-date**  
**12/1/2022 to 12/31/2022**

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	<b>Dec 2022</b>	<b>Jul 2022</b>
	<b>Dec 2022</b>	<b>Dec 2022</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Auto & Equi	0.00	23.89
Taxes & Licenses - Employee	0.00	50.00
<b>Total Expenses</b>	<b>\$86,815.33</b>	<b>\$413,945.33</b>
<b>Total Net Income (Loss) From Operations</b>	<b>(\$19,514.37)</b>	<b>\$78,400.30</b>
<b>Total Net Income (Loss)</b>	<b>(\$19,514.37)</b>	<b>\$78,400.30</b>

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**Income Statement**  
**Current vs Year-to-date**  
**1/1/2023 to 1/31/2023**

	Jan 2023 Jan 2023 Actual	Jul 2022 Jan 2023 Actual
<b>Revenue</b>		
Health Dept Fees	622.40	4,340.00
Inspection & Permits	420.00	2,885.00
Interest Revenue	220.39	1,119.98
Late Charge Income	559.33	6,109.74
LCWA Monthly Expense Paid	26,159.22	107,887.46
LCWA Monthly Office Rent	400.00	2,800.00
Memberships	30.00	660.00
Misc Income	7,386.00	34,438.95
Penalties/Adjustments	(295.10)	6,450.80
Sprinkler Charge Income	99.50	696.50
New Taps	2,950.00	15,400.00
Water Revenue	44,125.20	365,765.35
Sales Tax	3,624.54	30,093.33
<b>Total Revenue</b>	<b>\$86,301.48</b>	<b>\$578,647.11</b>
<b>Total Gross Profit</b>	<b>\$86,301.48</b>	<b>\$578,647.11</b>

**Expenses**

Gross Wages	13,634.18	115,975.97
Federal Unemployment	81.81	163.37
Insurance - Employee Health	1,629.20	10,294.68
Medicare	197.69	1,681.63
Soc Sec -Emplr Part	845.34	7,190.54
State Unemployment	643.95	701.54
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	608.56	7,216.81
Insurance - Association	3,244.80	40,514.80
Parts Purchases	3,364.90	47,559.24
Plant Chemicals	1,308.06	18,186.15
Equipment Maintenance	136.17	11,906.78
Repair & Maintenance	2,023.25	36,700.16
Office Expense	998.00	7,862.95
Supplies - Shop Tools, Ect	558.87	2,700.13
Mileage Expense	0.00	10.00
Postage	804.58	4,180.20
Electricity	113.17	1,112.77
Gas	89.41	217.70
Plant Electricity	5,498.53	44,113.19
Plant Gas	93.38	208.82
Plant Telephone	594.62	4,138.66
Telephone	249.59	1,734.06
Water Expense	0.77	1,203.30
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	0.00	269.55
Misc Expense	500.00	6,543.26
Plant Expenses	0.00	32,902.72
Sales Tax	3,638.00	30,769.00
Shop Expense	1,010.26	5,152.05

**Income Statement**  
**Current vs Year-to-date**  
**1/1/2023 to 1/31/2023**

	<b>Jan 2023</b>	<b>Jul 2022</b>
	<b>Jan 2023</b>	<b>Jan 2023</b>
	<b>Actual</b>	<b>Actual</b>
Taxes & Licenses - Auto & Equi	0.00	23.89
Taxes & Licenses - Employee	0.00	50.00
<b>Total Expenses</b>	<b>\$41,867.09</b>	<b>\$455,812.42</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$44,434.39</b>	<b>\$122,834.69</b>
<b>Total Net Income (Loss)</b>	<b>\$44,434.39</b>	<b>\$122,834.69</b>

**Income Statement**  
**Current vs Year-to-date**  
**2/1/2023 to 2/28/2023**

	Feb 2023 Feb 2023 Actual	Jul 2022 Feb 2023 Actual
<b>Revenue</b>		
Health Dept Fees	621.60	4,961.60
Inspection & Permits	145.00	3,030.00
Interest Revenue	245.90	1,365.88
Late Charge Income	800.32	6,910.06
LCWA Monthly Expense Paid	9,292.06	117,179.52
LCWA Monthly Office Rent	400.00	3,200.00
Memberships	45.00	705.00
Misc Income	0.00	34,438.95
Penalties/Adjustments	(40.04)	6,410.76
Sprinkler Charge Income	99.50	796.00
New Taps	0.00	15,400.00
Water Revenue	47,245.70	413,011.05
Sales Tax	3,851.57	33,944.90
<b>Total Revenue</b>	<b>\$62,706.61</b>	<b>\$641,353.72</b>
<b>Total Gross Profit</b>	<b>\$62,706.61</b>	<b>\$641,353.72</b>

**Expenses**

Gross Wages	13,355.78	129,331.75
Federal Unemployment	65.35	228.72
Insurance - Employee Health	1,579.78	11,874.46
Medicare	193.63	1,875.26
Soc Sec -Emplr Part	828.06	8,018.60
State Unemployment	675.19	1,376.73
Dues & Membership Expense	0.00	35.00
Health Depart Fees	0.00	7,368.00
Fuel Expense	1,475.21	8,692.02
Insurance - Association	625.00	41,139.80
Parts Purchases	2,189.35	49,748.59
Plant Chemicals	4,370.78	22,556.93
Equipment Maintenance	2,718.77	14,625.55
Repair & Maintenance	1,112.83	37,812.99
Office Expense	167.16	8,030.11
Supplies - Shop Tools, Ect	26.33	2,726.46
Mileage Expense	0.00	10.00
Postage	560.76	4,740.96
Electricity	126.95	1,239.72
Gas	0.00	217.70
Plant Electricity	6,970.09	51,083.28
Plant Gas	0.00	208.82
Plant Telephone	594.51	4,733.17
Telephone	250.64	1,984.70
Water Expense	70.11	1,273.41
Accounting Services	150.00	150.00
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	20.00	289.55
Misc Expense	539.31	7,082.57
Plant Expenses	552.87	33,455.59
Sales Tax	3,553.00	34,322.00

**Income Statement**  
**Current vs Year-to-date**  
**2/1/2023 to 2/28/2023**

	<b>Feb 2023</b>	<b>Jul 2022</b>
	<b>Feb 2023</b>	<b>Feb 2023</b>
	<b>Actual</b>	<b>Actual</b>
Shop Expense	562.62	5,714.67
Taxes & Licenses - Auto & Equi	0.00	23.89
Taxes & Licenses - Employee	0.00	50.00
<b>Total Expenses</b>	<b>\$43,334.08</b>	<b>\$499,146.50</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$19,372.53</b>	<b>\$142,207.22</b>
<b>Total Net Income (Loss)</b>	<b>\$19,372.53</b>	<b>\$142,207.22</b>

**Income Statement**  
**Current vs Year-to-date**  
**3/1/2023 to 3/31/2023**

	Mar 2023 Mar 2023 Actual	Jul 2022 Mar 2023 Actual
<b>Revenue</b>		
Health Dept Fees	620.80	5,582.40
Inspection & Permits	435.00	3,465.00
Interest Revenue	286.19	1,652.07
Late Charge Income	674.55	7,584.61
LCWA Monthly Expense Paid	12,091.30	129,270.82
LCWA Monthly Office Rent	400.00	3,600.00
Memberships	15.00	720.00
Misc Income	1,775.00	36,213.95
Penalties/Adjustments	(2,963.22)	3,447.54
Sprinkler Charge Income	99.50	895.50
New Taps	0.00	15,400.00
Water Revenue	43,656.65	456,667.70
Sales Tax	3,556.16	37,501.06
<b>Total Revenue</b>	<b>\$60,646.93</b>	<b>\$702,000.65</b>
<b>Total Gross Profit</b>	<b>\$60,646.93</b>	<b>\$702,000.65</b>

**Expenses**

Gross Wages	17,173.69	146,505.44
Federal Unemployment	22.33	251.05
Insurance - Employee Health	1,579.78	13,454.24
Medicare	249.00	2,124.26
Soc Sec -Emplr Part	1,064.76	9,083.36
State Unemployment	230.65	1,607.38
Dues & Membership Expense	1,004.90	1,039.90
Health Depart Fees	0.00	7,368.00
Fuel Expense	661.82	9,353.84
Insurance - Association	0.00	41,139.80
Parts Purchases	7,432.96	57,181.55
Plant Chemicals	1,354.84	23,911.77
Equipment Maintenance	0.00	14,625.55
Repair & Maintenance	2,330.00	40,142.99
Office Expense	430.09	8,460.20
Supplies - Shop Tools, Ect	0.00	2,726.46
Mileage Expense	0.00	10.00
Postage	558.05	5,299.01
Electricity	117.75	1,357.47
Gas	172.92	390.62
Plant Electricity	4,462.56	55,545.84
Plant Gas	149.17	357.99
Plant Telephone	594.51	5,327.68
Telephone	250.90	2,235.60
Water Expense	16.83	1,290.24
Accounting Services	0.00	150.00
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	30.00	319.55
Misc Expense	765.61	7,848.18
Plant Expenses	282.81	33,738.40
Sales Tax	3,775.00	38,097.00

**Income Statement**  
**Current vs Year-to-date**  
**3/1/2023 to 3/31/2023**

	<b>Mar 2023</b>	<b>Jul 2022</b>
	<b>Mar 2023</b>	<b>Mar 2023</b>
	<b>Actual</b>	<b>Actual</b>
Shop Expense	589.20	6,303.87
Taxes & Licenses - Auto & Equi	0.00	23.89
Taxes & Licenses - Employee	69.00	119.00
<b>Total Expenses</b>	<b>\$45,369.13</b>	<b>\$544,515.63</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$15,277.80</b>	<b>\$157,485.02</b>
<b>Total Net Income (Loss)</b>	<b>\$15,277.80</b>	<b>\$157,485.02</b>

**Income Statement**  
**Current vs Year-to-date**  
**4/1/2023 to 4/30/2023**

	Apr 2023 Apr 2023 Actual	Jul 2022 Apr 2023 Actual
<b>Revenue</b>		
Health Dept Fees	621.20	6,203.60
Inspection & Permits	435.00	3,900.00
Interest Revenue	269.71	1,921.78
Late Charge Income	765.86	8,350.47
LCWA Monthly Expense Paid	8,490.11	137,760.93
LCWA Monthly Office Rent	400.00	4,000.00
Memberships	105.00	825.00
Misc Income	8,890.11	45,104.06
Penalties/Adjustments	531.75	3,979.29
Sprinkler Charge Income	99.50	995.00
West Upgrade Fee	2,000.00	2,000.00
New Taps	0.00	15,400.00
Water Revenue	46,173.70	502,841.40
Sales Tax	3,793.01	41,294.07
<b>Total Revenue</b>	<b>\$72,574.95</b>	<b>\$774,575.60</b>
<b>Total Gross Profit</b>	<b>\$72,574.95</b>	<b>\$774,575.60</b>

**Expenses**

Gross Wages	12,099.40	158,604.84
Federal Unemployment	3.01	254.06
Insurance - Employee Health	1,642.49	15,096.73
Medicare	175.45	2,299.71
Soc Sec -Emplr Part	750.18	9,833.54
State Unemployment	31.18	1,638.56
Dues & Membership Expense	20.00	1,059.90
Health Depart Fees	0.00	7,368.00
Fuel Expense	506.33	9,860.17
Insurance - Association	0.00	41,139.80
Parts Purchases	3,012.26	60,193.81
Plant Chemicals	588.15	24,499.92
Equipment Maintenance	2,325.43	16,950.98
Repair & Maintenance	340.23	40,483.22
Office Expense	179.95	8,640.15
Supplies - Shop Tools, Ect	41.46	2,767.92
Mileage Expense	0.00	10.00
Postage	560.67	5,859.68
Electricity	108.38	1,465.85
Gas	0.00	390.62
Plant Electricity	3,994.03	59,539.87
Plant Gas	0.00	357.99
Plant Telephone	593.42	5,921.10
Telephone	250.96	2,486.56
Water Expense	16.83	1,307.07
Accounting Services	0.00	150.00
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	0.00	319.55
Misc Expense	551.12	8,399.30
Plant Expenses	1,253.51	34,991.91

**Income Statement**  
**Current vs Year-to-date**  
**4/1/2023 to 4/30/2023**

	<b>Apr 2023</b>	<b>Jul 2022</b>
	<b>Apr 2023</b>	<b>Apr 2023</b>
	<b>Actual</b>	<b>Actual</b>
Sales Tax	3,485.00	41,582.00
Shop Expense	470.45	6,774.32
Taxes & Licenses - Auto & Equi	23.89	47.78
Taxes & Licenses - Employee	0.00	119.00
Trans from Meter to Rev	8,890.11	8,890.11
<b>Total Expenses</b>	<b>\$41,913.89</b>	<b>\$586,429.52</b>
<b>Total Net Income (Loss) From Operations</b>	<b>\$30,661.06</b>	<b>\$188,146.08</b>
<b>Total Net Income (Loss)</b>	<b>\$30,661.06</b>	<b>\$188,146.08</b>

**Income Statement**  
**Current vs Year-to-date**  
**5/1/2023 to 5/31/2023**

	May 2023 May 2023 Actual	Jul 2022 May 2023 Actual
<b>Revenue</b>		
Health Dept Fees	622.00	6,825.60
Inspection & Permits	145.00	4,045.00
Interest Revenue	299.71	2,221.49
Late Charge Income	581.61	8,932.08
LCWA Monthly Expense Paid	7,383.94	145,144.87
LCWA Monthly Office Rent	400.00	4,400.00
Memberships	15.00	840.00
Misc Income	0.00	45,104.06
Penalties/Adjustments	(3,858.77)	120.52
Sprinkler Charge Income	99.50	1,094.50
West Upgrade Fee	1,000.00	3,000.00
New Taps	0.00	15,400.00
Water Revenue	46,067.00	548,908.40
Sales Tax	3,746.56	45,040.63
<b>Total Revenue</b>	<b>\$56,501.55</b>	<b>\$831,077.15</b>
<b>Total Gross Profit</b>	<b>\$56,501.55</b>	<b>\$831,077.15</b>

**Expenses**

Gross Wages	11,663.32	170,268.16
Federal Unemployment	0.00	254.06
Insurance - Employee Health	1,529.11	16,625.84
Medicare	169.12	2,468.83
Soc Sec -Emplr Part	723.12	10,556.66
State Unemployment	0.00	1,638.56
Dues & Membership Expense	0.00	1,059.90
Health Depart Fees	0.00	7,368.00
Fuel Expense	437.26	10,297.43
Insurance - Association	100.00	41,239.80
Parts Purchases	1,042.86	61,236.67
Plant Chemicals	2,999.09	27,499.01
Equipment Maintenance	2,586.42	19,537.40
Repair & Maintenance	61,876.35	102,359.57
Office Expense	196.09	8,836.24
Supplies - Shop Tools, Ect	2,451.51	5,219.43
Mileage Expense	0.00	10.00
Postage	686.30	6,545.98
Electricity	110.70	1,576.55
Gas	62.31	452.93
Plant Electricity	4,488.47	64,028.34
Plant Gas	31.45	389.44
Plant Telephone	619.14	6,540.24
Telephone	248.42	2,734.98
Water Expense	114.24	1,421.31
Accounting Services	0.00	150.00
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	0.00	319.55
Misc Expense	500.00	8,899.30
Plant Expenses	0.00	34,991.91

**Income Statement**  
**Current vs Year-to-date**  
**5/1/2023 to 5/31/2023**

	<b>May 2023</b>	<b>Jul 2022</b>
	<b>May 2023</b>	<b>May 2023</b>
	<b>Actual</b>	<b>Actual</b>
Sales Tax	3,715.00	45,297.00
Shop Expense	298.83	7,073.15
Taxes & Licenses - Auto & Equi	135.00	182.78
Taxes & Licenses - Employee	0.00	119.00
Trans from Meter to Rev	0.00	8,890.11
<b>Total Expenses</b>	<b>\$96,784.11</b>	<b>\$683,213.63</b>
<b>Total Net Income (Loss) From Operations</b>	<b>(\$40,282.56)</b>	<b>\$147,863.52</b>
<b>Total Net Income (Loss)</b>	<b>(\$40,282.56)</b>	<b>\$147,863.52</b>

**Income Statement**  
**Current vs Year-to-date**  
**6/1/2023 to 6/30/2023**

	Jun 2023 Jun 2023 Actual	Jul 2022 Jun 2023 Actual
<b>Revenue</b>		
Health Dept Fees	622.40	7,448.00
Inspection & Permits	790.00	4,835.00
Interest Revenue	268.92	2,490.41
Late Charge Income	613.53	9,545.61
LCWA Monthly Expense Paid	40,345.56	185,490.43
LCWA Monthly Office Rent	400.00	4,800.00
Memberships	120.00	960.00
Misc Income	0.00	45,104.06
Penalties/Adjustments	1,003.03	1,123.55
Sprinkler Charge Income	99.50	1,194.00
West Upgrade Fee	0.00	3,000.00
Parts, Etc.	134.44	134.44
New Taps	1,400.00	16,800.00
Water Revenue	59,296.05	608,204.45
Sales Tax	4,869.13	49,909.76
<b>Total Revenue</b>	<b>\$109,962.56</b>	<b>\$941,039.71</b>
<b>Total Gross Profit</b>	<b>\$109,962.56</b>	<b>\$941,039.71</b>

**Expenses**

Gross Wages	17,381.34	187,649.50
Federal Unemployment	15.02	269.08
Insurance - Employee Health	960.49	17,586.33
Medicare	252.02	2,720.85
Soc Sec -Emplr Part	1,077.64	11,634.30
State Unemployment	155.22	1,793.78
Dues & Membership Expense	0.00	1,059.90
Health Depart Fees	0.00	7,368.00
Fuel Expense	629.69	10,927.12
Insurance - Association	0.00	41,239.80
Parts Purchases	585.46	61,822.13
Plant Chemicals	1,322.33	28,821.34
Equipment Maintenance	600.00	20,137.40
Repair & Maintenance	77,566.21	179,925.78
Office Expense	1,259.15	10,095.39
Supplies - Shop Tools, Ect	376.22	5,595.65
Mileage Expense	0.00	10.00
Postage	562.33	7,108.31
Electricity	108.29	1,684.84
Gas	10.42	463.35
Plant Electricity	4,128.36	68,156.70
Plant Gas	9.56	399.00
Plant Telephone	619.14	7,159.38
Telephone	248.40	2,983.38
Water Expense	105.03	1,526.34
Accounting Services	0.00	150.00
Professional Fees	0.00	6,965.50
Schools & Seminars	0.00	160.00
Bank Charges	0.00	319.55
Misc Expense	500.00	9,399.30

**Income Statement**  
**Current vs Year-to-date**  
**6/1/2023 to 6/30/2023**

	<b>Jun 2023</b>	<b>Jul 2022</b>
	<b>Jun 2023</b>	<b>Jun 2023</b>
	<b>Actual</b>	<b>Actual</b>
Plant Expenses	2,783.90	37,775.81
Sales Tax	3,679.00	48,976.00
Shop Expense	339.26	7,412.41
Taxes & Licenses - Auto & Equi	0.00	182.78
Taxes & Licenses - Employee	179.60	298.60
Trans from Meter to Rev	0.00	8,890.11
<b>Total Expenses</b>	<b>\$115,454.08</b>	<b>\$798,667.71</b>
<b>Total Net Income (Loss) From Operations</b>	<b>(\$5,491.52)</b>	<b>\$142,372.00</b>
<b>Total Net Income (Loss)</b>	<b>(\$5,491.52)</b>	<b>\$142,372.00</b>

## Appendix H

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

June 30, 2023 and 2022

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**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 Board of Directors of  
South Sheridan Water Association, Inc.

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

***Opinions***

We have audited the accompanying financial statements of the South Sheridan Water Association, Inc., (the "Organization"), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization'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.

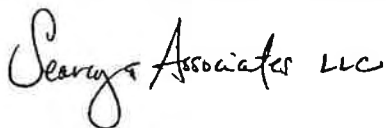
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 Organization'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 Organization'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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2023 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.



Searcy & Associates, LLC  
Monticello, Arkansas  
August 9, 2023

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2023 and 2022

	2023	2022
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 234,905	\$ 307,849
Accounts receivable, net of allowance	93,734	71,332
Other current assets	22,528	20,662
Total current assets	351,167	399,843
<u>Fixed assets, net of accumulated depreciation</u>	2,432,431	2,447,887
<u>Restricted assets</u>		
Cash reserve - meter deposits	91,116	88,800
Cash reserve - debt service	349,839	310,635
Total restricted assets	440,955	399,435
Total assets	\$ 3,224,553	\$ 3,247,165
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 25,449	\$ 25,450
Accrued interest	4,602	4,602
Accrued payroll	1,875	5,906
Accrued paid time off	5,698	8,203
Other accrued expenses	4,840	4,840
Current portion of notes payable	101,328	96,264
Total current liabilities	143,792	145,265
<u>Long term liabilities</u>		
Notes payable, net of current amount	1,528,323	1,629,651
Customer deposits	91,116	88,800
Total long term liabilities	1,619,439	1,718,451
Total liabilities	1,763,231	1,863,716
<u>Net assets</u>		
Net assets without donor restrictions	1,461,322	1,383,449
Total liabilities and net assets	\$ 3,224,553	\$ 3,247,165

The accompanying notes are an integral part of the financial statements.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Years Ended June 30, 2023 and 2022

	2023	2022
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 635,244	\$ 599,362
Water connection fees	17,760	27,765
Penalties and late fees	9,546	8,749
Other operating income	7,835	4,303
Miscellaneous income	37,840	23,769
Total revenues	708,225	663,948
Expenses		
Operating expenses	596,360	612,829
General and administrative	154,126	162,271
Total expenses	750,486	775,100
Income (loss) from operations	(42,261)	(111,152)
Non-operating income (expense)		
Interest income	2,490	1,333
Gain on disposal of assets	-	9,143
Expense reimbursement	185,490	191,202
Rent income	4,800	4,800
Interest expense	(72,646)	(77,434)
Total non-operating income (expense)	120,134	129,044
Change in net assets without donor restrictions	77,873	17,892
<u>Net assets, beginning of year</u>	1,383,449	1,365,557
<u>Net assets, end of year</u>	\$ 1,461,322	\$ 1,383,449

The accompanying notes are an integral part of the financial statements

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2023 and 2022

	2023	2022
<u>Cash flows from operating activities</u>		
Income from operations	\$ (42,261)	\$ (111,152)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	135,728	136,140
Changes in assets and liabilities:		
Accounts receivable	(22,402)	1,912
Inventory	-	-
Other current assets	(1,866)	(2,751)
Accounts payable	(1)	6,308
Accrued expenses	(6,536)	(15,492)
Total adjustments	<u>104,923</u>	<u>126,117</u>
Net cash provided by (used for) operating activities	<u>62,662</u>	<u>14,965</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(120,272)	(100,836)
Proceeds from disposal of property, plant and equipment	-	9,143
Proceeds from expense reimbursements	185,490	191,202
Proceeds from rental income	4,800	4,800
Interest income	2,490	1,333
Net cash provided by (used for) investing activities	<u>72,508</u>	<u>105,642</u>
<u>Cash flows from financing activities</u>		
Principal payments	(96,264)	(91,475)
Interest payments	(72,646)	(77,434)
Change in customer deposits	2,316	3,714
Net cash provided by (used for) financing activities	<u>(166,594)</u>	<u>(165,195)</u>
<u>Change in cash and cash equivalents</u>	(31,424)	(44,588)
<u>Cash and cash equivalents, beginning of year</u>	<u>707,284</u>	<u>751,872</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 675,860</u>	<u>\$ 707,284</u>
<u>Cash and cash equivalents</u>	\$ 234,905	\$ 307,849
<u>Restricted cash and cash equivalents</u>	440,955	399,435
	<u>\$ 675,860</u>	<u>\$ 707,284</u>
<u>Supplemental information</u>		
Cash paid for sales tax	<u>\$ 48,976</u>	<u>\$ 46,033</u>

The accompanying notes are an integral part of the financial statements

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2023 and 2022

	2023		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 122,036	\$ 81,358	\$ 203,394
Depreciation	128,942	6,786	135,728
Repairs and maintenance	170,136	8,955	179,091
Utilities	74,135	8,237	82,372
Insurance	31,499	7,875	39,374
Chemicals	28,821	-	28,821
Office Supplies	-	17,203	17,203
Payroll taxes	8,613	5,742	14,355
Travel expenses	17,715	932	18,647
Other Expenses	4,860	4,859	9,719
Supplies	5,036	560	5,596
Professional services	-	7,116	7,116
License, permits, dues, fees	4,455	4,455	8,910
Training	112	48	160
<b>Total expenses</b>	<b>\$ 596,360</b>	<b>\$ 154,126</b>	<b>\$ 750,486</b>

	2022		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 137,494	\$ 91,662	\$ 229,156
Depreciation	129,333	6,807	136,140
Repairs and maintenance	175,199	9,221	184,420
Utilities	61,725	6,858	68,583
Insurance	31,014	7,753	38,767
Chemicals	37,781	-	37,781
Office Supplies	-	16,008	16,008
Payroll taxes	9,674	6,449	16,123
Travel expenses	11,244	592	11,836
Other Expenses	5,845	5,845	11,690
Supplies	9,303	1,034	10,337
Professional services	-	5,826	5,826
License, permits, dues, fees	4,217	4,216	8,433
<b>Total expenses</b>	<b>\$ 612,829</b>	<b>\$ 162,271</b>	<b>\$ 775,100</b>

The accompanying notes are an integral part of the financial statements.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023 and 2022

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

Organization and Nature of Operations

The South Sheridan Water Association, Inc. (the "Organization") is a not-for-profit corporation established under the laws of the State of Arkansas and is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in the surrounding rural community.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Cash and Cash Equivalents

The Organization 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.

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. 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 for delinquent billings or returned to the customer when the account is closed.

An allowance for doubtful accounts is maintained. Accounts receivable is shown net of allowance of doubtful accounts that is \$21,537 as of June 30, 2023 and 2022.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2023 and 2022

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**NOTE 1 (continued)**

Inventory

Inventories consist of various meters, couplings, pipes, parts, etc., used in the customary operations of the Organization. Inventories are stated at lower of cost or net realizable value using the FIFO (first-in, first-out) method of valuation.

Property and Equipment

Property and Equipment 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 / Distribution Systems	20-40 years
Buildings & Improvements	10-25 years
Furniture & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to restrictions that are temporary in nature, such as those that will be met by the passage of time or other specified events or are perpetual in nature, such as those where resources must be maintained in perpetuity.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2023 and 2022

**NOTE 1 (continued)**

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code and from Arkansas state taxes under similar exemption.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns normally remain open for possible examination for a period of three years after the filing deadline of the respective return.

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.

Date of Management's Review

The Organization evaluated its June 30, 2023 financial statements for subsequent events through August 9, 2023, the date the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 675,860	\$ 707,284
Receivables	93,734	71,332
	769,594	778,616
Less: restricted cash for deposit accounts	(91,116)	(88,800)
Less: restricted cash for debt requirements	(349,839)	(310,635)
Available for general expenditure	\$ 328,639	\$ 379,181

Restricted cash consists of funds held in reserve by the Organization as required by the U.S. Department of Agriculture – Rural Development (“USDA”). In accordance with loan covenants, the USDA requires the Organization to restrict cash for debt service until the balance equals \$85,416, which equals the amount of principal and interest annual payments. In addition, the USDA requires the Organization to restrict cash annually for short-lived asset replacement costs until the balance exceeds \$115,113, which equals the expected cost of assets to be replaced during the life of the loan. It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. The Organization had restricted cash of \$221,909 as of June 30, 2023 for the purpose of satisfying these loan covenants.

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
 June 30, 2023 and 2022

**NOTE 2 (continued)**

Restricted cash consists of funds held in reserve by the Organization as required by the Arkansas Natural Resource Commission ("ANRC"). In accordance with loan covenants, the ANRC requires the Organization to restrict cash for debt service until the balance equals \$83,487, which equals the amount of principal and interest annual payments. In addition, the USDA requires the Organization to restrict cash annually at a rate of 3% of revenues for short-lived asset replacement costs until the balance exceeds \$100,000, which equals the expected cost of assets to be replaced during the life of the loan. It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts. The Organization had restricted cash of \$127,930 as of June 30, 2023 for the purpose of satisfying these loan covenants.

An additional reserve is required to be maintained to repay customers' deposits upon the closing of the customers' accounts. The total deposits held with the Organization required to be reserved at June 30, 2023 and 2022 are \$91,116 and \$88,800, respectively.

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$370,000). As part of its liquidity plan, excess cash is held in timed deposits.

**NOTE 3 – CERTIFICATES OF DEPOSIT AND INVESTMENTS**

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at June 30, 2023.

Category 1 – Insured FDIC or secured with securities held by the Organization (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 Organization'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 Organization's name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 612,661	\$ 250,000	\$ 362,661	\$ -
Bank B	67,730	67,730	-	-
Total	<u>\$ 680,391</u>	<u>\$ 317,730</u>	<u>\$ 362,661</u>	<u>\$ -</u>

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

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2023 and 2022

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following balances at June 30:

	2023	2022
Land	\$ 122,761	\$ 122,761
Distribution system	4,798,556	4,679,784
Water plant facility	289,436	287,936
	5,210,753	5,090,481
Accumulated depreciation	(2,778,322)	(2,642,594)
	\$ 2,432,431	\$ 2,447,887

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consisted of the following at June 30:

	2023	2022
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$3,899, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	\$ 560,555	\$ 580,899
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$2,877, including principal and interest through 2045; interest at 4.375%, secured by property and equipment	481,561	494,696
Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$342, including principal and interest through 2042; interest at 4.625%, secured by property and equipment	51,074	52,771
Note payable to the ANRC for the purchase of property and equipment, payable in 60 semi-annual installments of \$55,695, including principal and interest through 2026; interest at 6.75%, secured by property and equipment	148,998	192,425
Note payable to the ANRC for the purchase of property and equipment, payable in 240 monthly installments of \$2,316, including principal and interest through 2040; interest at 2.55%, secured by property and equipment	387,463	405,124
	\$ 1,629,651	\$ 1,725,915

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
 June 30, 2023 and 2022

**NOTE 5 (continued)**

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending June 30:

	Principal	Interest
2024	101,328	67,555
2025	106,684	62,199
2026	112,349	56,534
2027	61,708	51,480
2028	64,164	49,024
2029-2033	361,426	204,513
2034-2038	440,393	125,547
2039-2043	328,888	37,872
2044-2048	52,711	1,943
	\$ 1,629,651	\$ 656,667

**NOTE 6 – COLLABORATIVE AGREEMENT / JOINT VENTURE**

The Organization is in a collaborative agreement with Little Creek Water Association, Inc. (“LCWA”). Under the agreement, the Organization and LCWA share the same office building, water lines, portions of outstanding debt, various fixed assets, and expenses on any given year.

The Organization currently receives payments of \$400 from LCWA on a month-to-month operating lease for the use of the office building. The lease is cancellable by either party at any time. Total rent income received from LCWA for the year ended June 30, 2023 and 2022 was \$4,800.

Fixed asset purchases are split either 50/50 or 40/60 depending on the intended use of the fixed asset. The Organization typically capitalizes the full cost basis of the asset and recognizes the subsequent payments from LCWA as revenue and expenses immediately.

The ANRC debt is shared 50/50 and the total outstanding principal recorded in the statement of financial position and related disclosures are reported on the Organization’s 50% share in the debt and does not represent the full outstanding balance of the debt that the Organization can be held liable for in the case of default by LCWA.

**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 Board of Directors of  
South Sheridan Water Association, Inc.

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 South Sheridan Water Association, Inc., (the "Organization") (a nonprofit organization), which comprise the statement of financial position for the year ended June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 2023-001 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization'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 cursive script that reads "Searcy & Associates LLC".

Searcy & Associations, LLC  
Monticello, Arkansas  
August 9, 2023

**SOUTH SHERIDAN WATER ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2023

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**SIGNIFICANT DEFICIENCIES**

2023-001 - Segregation of Duties

**Condition:** The Organization 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 Organization has limited financial resources which prevent it from properly segregating financial accounting duties.

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

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

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