

MADISON COUNTY REGIONAL WATER DISTRICT
Huntsville, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021
INDEPENDENT AUDITOR'S REPORT

**MADISON COUNTY REGIONAL WATER DISTRICT
HUNTSVILLE, ARKANSAS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021**

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**To the Board of Directors of
Madison County Regional Water District
Huntsville, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the Madison County Regional Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Madison County Regional Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Madison County Regional Water District, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 Madison County Regional Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Madison County Regional Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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**Board of Directors
Madison County Regional Water District**

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including 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 Madison County Regional Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County Regional Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

The Supplementary Information Required by USDA Rural Development is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by USDA Rural Development is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Board of Directors
Madison County Regional Water District**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023 on our consideration of the Madison County Regional Water District'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 Madison County Regional Water District'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 the Madison County Regional Water District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Berry & Associates".

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
April 28, 2023

MADISON COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

ASSETS

| | 2022 | 2021 |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 476,511 | \$ 707,266 |
| Accounts receivable | 153,620 | 136,380 |
| Inventory | 66,698 | 29,787 |
| Prepaid expenses | 10,396 | 10,528 |
| Total current assets | <u>707,225</u> | <u>883,961</u> |
| NON-CURRENT ASSETS | | |
| Restricted cash and cash equivalents | 498,599 | 491,546 |
| Capital assets | | |
| Capital assets, net of accumulated depreciation | 7,484,341 | 7,801,680 |
| Water storage, net of accumulated amortization of \$169,069 and \$72,458 in 2022 and 2021 | <u>2,004,680</u> | <u>2,101,291</u> |
| TOTAL ASSETS | <u>\$ 10,694,845</u> | <u>\$ 11,278,478</u> |

LIABILITIES AND NET POSITION

| | | |
|--|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$ 364,300 | \$ 353,000 |
| Accounts payable | 58,918 | 64,656 |
| Retainage payable | 14,100 | 11,920 |
| Accrued interest payable | 93,899 | 96,676 |
| Payroll taxes payable | 5,162 | 4,444 |
| Other current liabilities | 1,332 | 894 |
| Total current liabilities | <u>537,711</u> | <u>531,590</u> |
| LONG-TERM DEBT, net of current maturities | <u>9,688,793</u> | <u>10,053,057</u> |
| TOTAL LIABILITIES | <u>10,226,504</u> | <u>10,584,647</u> |
| NET POSITION | | |
| Net investment in capital assets, (deficit) | (564,074) | (503,087) |
| Unrestricted | 722,825 | 887,328 |
| Temporarily restricted | 309,590 | 309,590 |
| Total net position | <u>468,341</u> | <u>693,831</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 10,694,845</u> | <u>\$ 11,278,478</u> |

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

MADISON COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Water revenue | \$ 1,885,121 | \$ 1,783,831 |
| Total operating revenues | <u>1,885,121</u> | <u>1,783,831</u> |
| OPERATING EXPENSES | | |
| Salaries | 380,186 | 332,598 |
| Payroll taxes | 27,894 | 25,113 |
| Employee benefits | 8,322 | 5,258 |
| Utilities expense | 483,153 | 385,109 |
| Water storage | 11,305 | 11,341 |
| Administrative expenses | 1,962 | 2,738 |
| Insurance expense | 19,063 | 18,890 |
| Vehicle expense | 5,143 | 10,383 |
| Bookkeeping | 13,475 | 13,175 |
| Legal and professional | 5,425 | 5,985 |
| Repairs and maintenance | 230,272 | 69,224 |
| Supplies | 10,507 | 8,508 |
| Chemicals | 81,647 | 54,461 |
| Depreciation and amortization | 508,435 | 506,042 |
| Miscellaneous expense | 1,200 | 3,666 |
| Licenses and permits | 24,965 | 1,370 |
| Total operating expenses | <u>1,812,954</u> | <u>1,453,861</u> |
| OPERATING INCOME | <u>72,167</u> | <u>329,970</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Other income | 11,779 | 125 |
| Grant income | 41,420 | 53,485 |
| Interest income | 9,665 | 3,446 |
| Interest expense | (360,521) | (370,807) |
| Net non-operating expenses | <u>(297,657)</u> | <u>(313,751)</u> |
| CHANGE IN NET POSITION | (225,490) | 16,219 |
| NET POSITION - BEGINNING OF YEAR | <u>693,831</u> | <u>677,612</u> |
| NET POSITION AT END OF YEAR | <u>\$ 468,341</u> | <u>\$ 693,831</u> |

The accompanying notes to the financial statements are an integral part of these statements

MADISON COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 1,867,881 | \$ 1,774,986 |
| Cash payments for goods and services | (963,515) | (597,355) |
| Cash payments to employees | (380,186) | (332,597) |
| Net cash provided by operating activities | <u>524,180</u> | <u>845,034</u> |
| Cash flows from capital and related financing activities: | | |
| Principal payments on long-term debt | (352,964) | (341,623) |
| Interest payments on long-term debt | (363,297) | (373,489) |
| Grant income | 41,420 | 53,485 |
| Costs incurred on construction in progress | (43,600) | - |
| Acquisition of capital assets | (50,885) | (27,353) |
| Non-operating income | 11,779 | 125 |
| Net cash used by capital and related financing activities | <u>(757,547)</u> | <u>(688,855)</u> |
| Cash flows from investing activities: | | |
| Interest received | 9,665 | 3,446 |
| Net change in restricted cash and cash equivalents | (7,053) | (418) |
| Net cash provided by investing activities | <u>2,612</u> | <u>3,028</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (230,755) | 159,207 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>707,266</u> | <u>548,059</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 476,511</u></u> | <u><u>\$ 707,266</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ 72,167 | \$ 329,970 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 508,435 | 506,042 |
| (Increase) / Decrease In: | | |
| Accounts receivable | (17,240) | (8,845) |
| Inventory | (36,911) | (14,402) |
| Prepaid expenses | 132 | 2,225 |
| Increase / (Decrease) In: | | |
| Accounts payable | (5,738) | 32,018 |
| Retainage payable | 2,180 | - |
| Payroll tax withheld & accrued | 718 | (2,864) |
| Other current liabilities | 437 | 890 |
| Total adjustments | <u>452,013</u> | <u>515,064</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 524,180</u></u> | <u><u>\$ 845,034</u></u> |

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

MADISON COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ENTITY:

Description of Operations

The Madison County Regional Water District (the District) was organized under the Act No. 114, 1957 Acts of Arkansas and is governed by a five-person Board of Directors. Principal functions of the District include the acquisition and utilization of water and water storage facilities. The authority is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Accounting

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been established. Management deems only immaterial amounts may prove to be uncollectible.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Adoption of GASB 87

Effective January 1, 2022, the District adopted GASB 87, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of GASB 87 did not have a material impact on the District's results of operations or cash flows.

MADISON COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (cont.):

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during fiscal year 2022 or 2021. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

| | <u>Years</u> |
|--------------|--------------|
| Water system | 10-50 |
| Equipment | 5-7 |
| Vehicles | 5 |

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Equity Classifications

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Temporarily Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Income Taxes

The District was formed to serve as a government instrumentality of the State of Arkansas under The Regional Water Distribution District Act of 1957. The District is exempt from income taxes.

Inventories

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

MADISON COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (cont.):

Date of Management's Review

Subsequent events have been evaluated through April 28, 2023, which is the date the financial statements were available to be issued.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the District. The budget of the District is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

NOTE 3 - LONG-TERM DEBT:

Long-term debt at December 31, 2022 and 2021 consists of the following:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|----------------------|
| Revenue bond payable to First Arkansas Bank and Trust due in annual installments of varying amounts with varying interest rates. (1) | \$ 8,080,000 | \$ 8,385,000 |
| Water storage payable to US Army Corp of Engineers due in annual installments of \$106,069 including interest at 2.875% beginning September 2020. (2) | 1,973,093 | 2,021,057 |
| | <u>10,053,093</u> | <u>10,406,057</u> |
| Less Current Portion | <u>(364,300)</u> | <u>(353,000)</u> |
| Long-Term Portion | <u>\$ 9,688,793</u> | <u>\$ 10,053,057</u> |

(1) The revenue bond has a restrictive covenant, including the requirement to carry a debt service reserve of \$309,590 for the life of the bond. The District maintains these funds in a separate account and is in compliance with this covenant.

(2) The loan has no restrictive covenants.

Future debt service payments are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|----------------------|---------------------|----------------------|
| 2023 | \$ 364,300 | \$ 352,812 | \$ 717,112 |
| 2024 | 375,800 | 341,074 | 716,874 |
| 2025 | 387,200 | 329,924 | 717,124 |
| 2026 | 398,700 | 318,374 | 717,074 |
| 2027 | 415,300 | 306,424 | 721,724 |
| 2028-2032 | 2,291,200 | 1,281,583 | 3,572,783 |
| 2033-2037 | 2,776,900 | 787,741 | 3,564,641 |
| 2038-2042 | 1,859,800 | 322,513 | 2,182,313 |
| 2043-2047 | 980,700 | 114,235 | 1,094,935 |
| 2048-2049 | 203,193 | 8,945 | 212,138 |
| | <u>\$ 10,053,093</u> | <u>\$ 4,163,625</u> | <u>\$ 14,216,718</u> |

MADISON COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 - LONG-TERM DEBT (con't):

Long-term liability activity for the years ended December 31, 2022 and 2021 is as follows:

| | Balance 1/1/2022 | Additions | Retirements | Balance 12/31/2022 | Due Within One Year |
|---------------|----------------------|-------------|---------------------|-----------------------|------------------------|
| Loans | \$ 2,021,057 | \$ - | \$ (47,964) | \$ 1,973,093 | \$ 49,300 |
| Revenue Bonds | 8,385,000 | - | (305,000) | 8,080,000 | 315,000 |
| Total | <u>\$ 10,406,057</u> | <u>\$ -</u> | <u>\$ (352,964)</u> | <u>\$ 10,053,093</u> | <u>\$ 364,300</u> |

| | Balance 1/1/2021 | Additions | Retirements | Balance 12/31/2021 | Due Within One Year |
|---------------|---------------------|-------------|---------------------|-----------------------|------------------------|
| Loans | \$ 2,067,680 | \$ - | \$ (46,623) | \$ 2,021,057 | \$ 48,000 |
| Revenue Bonds | 8,680,000 | - | (295,000) | 8,385,000 | 305,000 |
| Total | <u>\$ 8,680,000</u> | <u>\$ -</u> | <u>\$ (341,623)</u> | <u>\$ 10,406,057</u> | <u>\$ 353,000</u> |

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$10,053,093 in revenue bonds/loans. Proceeds from the bonds/loans were used for building of the District's water system and water storage. Principal and interest on the bonds/loans are payable through 2051, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2022 were \$352,964 and \$363,297, respectively. Principal and interest paid in the year ended December 31, 2021 were \$341,623 and \$373,489, respectively.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the years ended December 31, 2022 and 2021 are as follows:

| | Balance 1/1/2022 | Additions | Deletions/ Transfers | Balance 12/31/2022 |
|--------------------------------|---------------------|------------------|-------------------------|-----------------------|
| Equipment | \$ 104,011 | \$ 13,825 | \$ - | \$ 117,836 |
| Office Equipment | 2,530 | - | - | 2,530 |
| Vehicles | 52,716 | - | - | 52,716 |
| Water System | 17,168,468 | 37,060 | - | 17,205,528 |
| Construction in Progress | 270,544 | 43,600 | - | 314,144 |
| Total | <u>17,598,269</u> | <u>\$ 94,485</u> | <u>\$ -</u> | <u>17,692,754</u> |
| Less: Accumulated Depreciation | <u>(9,796,589)</u> | | | <u>(10,208,413)</u> |
| Total Capital Assets | <u>\$ 7,801,680</u> | | | <u>\$ 7,484,341</u> |

| | Balance 1/1/2021 | Additions | Deletions/ Transfers | Balance 12/31/2021 |
|--------------------------------|---------------------|-------------|-------------------------|-----------------------|
| Equipment | \$ 76,658 | \$ 27,353 | \$ - | \$ 104,011 |
| Office Equipment | 2,530 | - | - | 2,530 |
| Vehicles | 52,716 | - | - | 52,716 |
| Water System | 17,168,468 | - | - | 17,168,468 |
| Construction in Progress | 270,544 | - | - | 270,544 |
| Total | <u>17,570,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>17,598,269</u> |
| Less: Accumulated Depreciation | <u>(9,338,852)</u> | | | <u>(9,796,589)</u> |
| Total Capital Assets | <u>\$ 8,232,064</u> | | | <u>\$ 7,801,680</u> |

**MADISON COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 5 – PUBLIC FUNDS: DEPOSITS WITH FINANCIAL INSTITUTIONS:

The carrying amount of the District's deposits was \$476,511 and \$707,266 at December 31, 2022 and 2021, respectively, and the bank balance was \$488,260 and \$771,136 at December 31, 2022 and 2021, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was insured by federal depository insurance and the remaining balance is collateralized by the pledging financial institutions, as required by Arkansas State Code at December 31, 2022.

NOTE 6 – EMPLOYEE BENEFIT PLAN:

The District has a SEP, simplified employee pension plan, for all eligible employees. Participants become 100% vested in the plan after one year of service. The District makes annual contributions to the plan equal to 4.75% of compensation for all eligible employees. During the years ended December 31, 2022 and 2021, the District made contributions of \$8,322 and \$5,258, respectively.

NOTE 7 – RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants. The long-term covenants require minimum reserves for bond payments and a debt service fund (see Note 3).

The following is a list of the restricted cash at December 31:

| | 2022 | 2021 |
|-------------------------|-------------------|-------------------|
| FAB&T Debt Reserve Fund | \$ 309,590 | \$ 309,590 |
| FAB&T Bond Fund | 189,009 | 181,956 |
| | <u>\$ 498,599</u> | <u>\$ 491,546</u> |

NOTE 8 – COMMITMENTS:

On September 10, 2020, the District was approved for financial assistance in the form of a grant in an amount up to \$474,124 from the Delta Dental of Arkansas Foundation, Inc. The funds are to be used for engineering, bid advertisement and costs of construction, including labor, material, and equipment for the Madison County Fluoride Treatment System Project. The Company has received \$300,044 of funds as of December 31, 2022.

The District started a construction project to improve the fluoride treatment system during the year ended December 31, 2020. The District has entered into a contract with a construction contractor for the amount of \$284,500. As of December 31, 2022 the District has incurred costs of \$282,000 on this contract. The District has entered into a contract with an engineering contractor for the amount of \$45,520. As of December 31, 2022 the District has incurred costs of \$32,144 on this contract.

NOTE 9 – CONCENTRATIONS:

The District has two major customers, Huntsville Water Utilities and Madison County Water Facilities Board. Approximately 100% of the District's revenues were derived from billings to these two customers for the years ended December 31, 2022 and 2021.



American Institute of CPA's

Arkansas Society of CPAs

Texas Society of CPA's

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

**Board of Directors
Madison County Regional Water District
Huntsville, Arkansas**

We have audited, 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, the financial statements of the Madison County Regional Water District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

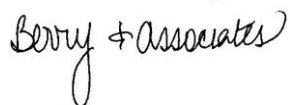
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 972-437-2919
PO Box 2485 • Madison, MS 39130 • 601-383-0119**

**To the Board of Directors of
Madison County Regional Water District
Huntsville, Arkansas**

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 "Berry & Associates".

Berry & Associates, P.A.
Little Rock, Arkansas
April 28, 2023

SUPPLEMENTARY INFORMATION

**MADISON COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT
December 31, 2022**

WATER RATE SCHEDULES:

| | |
|---------------------------------------|---------------------------|
| Huntsville Water Utilities | \$ 1.54 per 1,000 gallons |
| Madison County Water Facilities Board | \$ 1.54 per 1,000 gallons |

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

INSURANCE SCHEDULE:

| | <u>Amount of Coverage</u> | <u>Policy Period</u> |
|--------------------------|-------------------------------|---------------------------------|
| Southern Farm Bureau | | |
| General Liability | | |
| Public Bodily Injury | \$ 500,000 | August 28 |
| Property Damage | 200,000 | to August 28 |
| Commercial Fire | 470,000 | June 29 to June 29 |
| Commercial Inland Marine | Actual Cash Value | September 10 to September 10 |
| Vehicle | | |
| Bodily Injury | 300,000 | December 16 |
| Property Damage | 100,000 | to December 16 |
| Comprehensive | Actual Cash Value | |
| Collision | Actual Cash Value | |
| Stonetrust | | |
| Workers Compensation | Statutory | May 2 to May 2 |
| CNA Surety | | |
| Fidelity Bond | \$ 545,000 | August 27 to August 27 |

**MADISON COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT, Continued
December 31, 2022**

BOARD MEMBERS:

| <u>Name</u> | <u>Title</u> |
|-----------------|--------------|
| Randy Shinn | Chairman |
| T.J. McCollough | Board Member |
| Bob Rawson | Board Member |
| David Pemberton | Board Member |

**MADISON COUNTY REGIONAL WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2022**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Amounts | |
| OPERATING REVENUES | | | | |
| Water revenue | \$ 1,830,000 | \$ 1,830,000 | \$ 1,885,121 | \$ 55,121 |
| Total operating revenues | <u>1,830,000</u> | <u>1,830,000</u> | <u>1,885,121</u> | <u>55,121</u> |
| OPERATING EXPENSES | | | | |
| Salaries | 343,000 | 343,000 | 380,186 | (37,186) |
| Payroll taxes | 25,900 | 25,900 | 27,894 | (1,994) |
| Employee benefits | 7,500 | 7,500 | 8,322 | (822) |
| Utilities expense | 378,100 | 378,100 | 483,153 | (105,053) |
| Water storage | 82,000 | 82,000 | 11,305 | 70,695 |
| Administrative expenses | 2,000 | 2,000 | 1,962 | 38 |
| Insurance expense | 17,300 | 17,300 | 19,063 | (1,763) |
| Vehicle expense | 8,500 | 8,500 | 5,143 | 3,357 |
| Bookkeeping | 13,500 | 13,500 | 13,475 | 25 |
| Legal and professional | 6,000 | 6,000 | 5,425 | 575 |
| Repairs and maintenance | 65,000 | 65,000 | 230,272 | (165,272) |
| Supplies | 8,300 | 8,300 | 10,507 | (2,207) |
| Chemicals | 66,000 | 66,000 | 81,647 | (15,647) |
| Depreciation | 370,000 | 370,000 | 508,435 | (138,435) |
| Miscellaneous expense | 6,525 | 6,525 | 1,200 | 5,325 |
| Licenses and permits | 1,300 | 1,300 | 24,965 | (23,665) |
| Total operating expenses | <u>1,400,925</u> | <u>1,400,925</u> | <u>1,812,954</u> | <u>(412,029)</u> |
| OPERATING INCOME | <u>429,075</u> | <u>429,075</u> | <u>72,167</u> | <u>(356,908)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Other income | - | - | 11,779 | 11,779 |
| Grant income | - | - | 41,420 | 41,420 |
| Interest income | 3,500 | 3,500 | 9,665 | 6,165 |
| Interest expense | (373,000) | (373,000) | (360,521) | 12,479 |
| Net non-operating expenses | <u>(369,500)</u> | <u>(369,500)</u> | <u>(297,657)</u> | <u>18,644</u> |
| CHANGE IN NET POSITION | <u>59,575</u> | <u>59,575</u> | <u>(225,490)</u> | <u>(338,264)</u> |
| NET POSITION AT BEGINNING OF YEAR | <u>693,831</u> | <u>693,831</u> | <u>693,831</u> | <u>-</u> |
| NET POSITION AT END OF YEAR | <u>\$ 753,406</u> | <u>\$ 753,406</u> | <u>\$ 468,341</u> | <u>\$ (338,264)</u> |