

**CEDARVILLE WATERWORKS FACILITIES BOARD
OF CRAWFORD COUNTY, ARKANSAS
AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

**CEDARVILLE WATERWORKS FACILITIES BOAD
OF CRAWFORD COUNTY, ARKANSAS
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SEPTEMBER 30, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Cedarville Waterworks Facilities Board
of Crawford County, Arkansas
Cedarville, Arkansas**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** (an enterprise fund) as of and for the years ended **September 30, 2023 and 2022**, and the related notes to financial statements, which collectively comprise **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** 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 business-type activities of **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** as of **September 30, 2023 and 2022**, and the changes in the financial position, and, where applicable, 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 **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 condition or events, considered in the aggregate that raise substantial doubt about the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** 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.

Member of:

*American Institute of Certified Public Accountants

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

*Governmental Audit Quality Center

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 **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** 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 **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis and budgetary comparison information 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **February 19, 2024** on our consideration of the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas**' internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

February 19, 2024

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

**To the Board of Directors
Cedarville Waterworks Facilities Board
of Crawford County, Arkansas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** as of and for the year ended **September 30, 2023**, and the related notes to the financial statements, which collectively comprise **Cedarville Waterworks Facilities Board of Crawford County, Arkansas's** basic financial statements, and have issued our report thereon dated **February 19, 2024**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'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 **Cedarville Waterworks Facilities Board of Crawford County, Arkansas's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

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*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** 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 determination of financial statement amounts. 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*.

Cedarville Waterworks Facilities Board of Crawford County, Arkansas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Cedarville Waterworks Facilities Board of Crawford County, Arkansas'** response was not subjected to the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

February 19, 2024

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	ASSETS	
	2023	2022
CURRENT ASSETS		
Cash and equivalents	\$ 541,353	\$ 758,534
Certificates of deposit	250,000	-
Accounts receivable, net of allowance for doubtful accounts of \$71,805 and \$72,390 respectively	370,441	375,023
Accounts receivable, Arkansas Department of Transportation	-	130,286
Inventory	52,611	53,337
	<hr/>	<hr/>
Total Current Assets	1,214,405	1,317,180
	<hr/>	<hr/>
CAPITAL ASSETS		
Land	26,636	26,636
Vehicles	255,782	185,687
Office and other buildings	110,428	110,428
Machinery and equipment	163,200	170,988
Water system	10,340,728	10,340,728
	<hr/>	<hr/>
	10,896,774	10,834,467
Less accumulated depreciation	(4,814,334)	(4,454,947)
	<hr/>	<hr/>
Total Capital Assets	6,082,440	6,379,520
	<hr/>	<hr/>
NONCURRENT ASSETS		
Restricted cash	545,815	496,908
Restricted certificates of deposit	221,801	214,774
	<hr/>	<hr/>
Total Noncurrent Assets	767,616	711,682
	<hr/>	<hr/>
Total Assets	\$ 8,064,461	\$ 8,408,382
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See Independent Auditor's Report and Notes to the Financial Statements.

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued wages	\$ 7,495	\$ 7,134
Payroll taxes payable	565	538
Accrued interest	40,875	44,187
Sales tax payable	18,808	17,949
Current portion of long-term debt	270,000	265,000
	<hr/>	<hr/>
Total Current Liabilities	337,743	334,808
	<hr/>	<hr/>
NONCURRENT LIABILITIES		
Meter deposits payable	268,171	261,194
Long-term debt, net of current portion	3,460,000	3,730,000
	<hr/>	<hr/>
Total Noncurrent Liabilities	3,728,171	3,991,194
	<hr/>	<hr/>
Total Liabilities	4,065,914	4,326,002
	<hr/>	<hr/>
NET POSITION		
Invested in capital assets, net of related debt	2,352,440	2,384,520
Restricted	767,616	711,682
Unrestricted	878,491	986,178
	<hr/>	<hr/>
Total Net Position	3,998,547	4,082,380
	<hr/>	<hr/>
Total Liabilities and Net Position	<u><u>\$ 8,064,461</u></u>	<u><u>\$ 8,408,382</u></u>

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Water sales, net of provision for bad debts	\$ 2,816,733	\$ 2,652,204
Late charges	45,179	46,577
Service charges	8,160	11,640
SDWA	16,997	16,792
Revenue from Arkansas Department of Transportation	-	140,965
	<u>2,887,069</u>	<u>2,868,178</u>
OPERATING EXPENSES		
Depreciation	367,175	373,788
Materials and supplies	20,443	10,614
Miscellaneous	6,004	14,039
Equipment and vehicle	63,412	44,202
Insurance and bonds	124,479	112,943
Legal and accounting	7,150	6,950
Taxes, licenses and other fees	4,631	3,880
Office and billing	30,572	28,629
Payroll taxes	29,109	28,155
Radio communications	10,035	20,071
Repair and maintenance	260,189	271,305
Salaries	378,008	356,332
Sales tax expense	183,112	189,207
Telephone and utilities	170,529	166,259
Tools	1,060	1,313
Uniforms	715	1,098
Water purchases	1,234,999	1,237,610
	<u>2,891,622</u>	<u>2,866,395</u>
OPERATING INCOME (LOSS)	<u>(4,553)</u>	<u>1,783</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest and dividend income	22,266	6,424
Miscellaneous income	-	5,554
Trustee fees	(2,783)	(2,898)
Interest expense	(98,763)	(109,875)
	<u>(79,280)</u>	<u>(100,795)</u>
CHANGE IN NET POSITION	<u>(83,833)</u>	<u>(99,012)</u>
NET POSITION, BEGINNING OF YEAR	<u>4,082,380</u>	<u>4,181,392</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,998,547</u></u>	<u><u>\$ 4,082,380</u></u>

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,021,937	\$ 2,874,431
Cash payments to suppliers for goods and services	(2,137,489)	(2,287,585)
Cash payments to employees for services	(378,008)	(356,332)
	<u>506,440</u>	<u>230,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	22,266	6,424
Net change in certificates of deposit	(257,027)	3,526
Miscellaneous income	-	5,554
	<u>(234,761)</u>	<u>15,504</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Retirement of bonds payable	(265,000)	(255,000)
Trustee fees	(2,783)	(2,898)
Interest paid	(102,075)	(109,875)
Additions to vehicles, machinery and equipment	(70,095)	(24,488)
	<u>(439,953)</u>	<u>(392,261)</u>
CHANGE IN CASH AND EQUIVALENTS	(168,274)	(146,243)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,255,442</u>	<u>1,401,685</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 1,087,168</u></u>	<u><u>\$ 1,255,442</u></u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and equivalents	\$ 541,353	\$ 758,534
Restricted cash	545,815	496,908
	<u><u>\$ 1,087,168</u></u>	<u><u>\$ 1,255,442</u></u>

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (4,553)	\$ 1,783
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	367,175	373,788
Change in:		
Accounts receivable	134,868	(124,033)
Inventory	726	(10,285)
Accrued wages	361	(13,037)
Payroll taxes payable	27	(985)
Sales tax payable	859	(1,361)
Meter deposits payable	6,977	4,644
	<u>510,993</u>	<u>228,731</u>
Total Adjustments		
	<u>\$ 506,440</u>	<u>\$ 230,514</u>
Net Cash Flows From Operating Activities		

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 1: Summary of Significant Accounting Policies

Cedarville Waterworks Facilities Board of Crawford County, Arkansas (the Board) was formed July 15, 1968 by the Quorum Court of Crawford County, Arkansas pursuant to the provisions of Arkansas code Annotated Section 14-137-101 et seq. (1987; Supply 1995) (the Act). The Board was formed for the purpose of owning, acquiring, constructing, extending, equipping, improving, operating, maintaining, selling, and leasing contracts concerning or otherwise disposing of waterworks facilities.

Financial Reporting

The accounts of the Board 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 Board's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Basis of Accounting

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

Fair Value of Financial Instruments

The Board's financial instruments include cash, certificates of deposit, accounts receivable, and accounts payable. The Board's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Net Position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Accounts Receivable

The Board establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$71,805 and \$72,390 respectively, as of September 30, 2023 and 2022.

Inventory

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

Income Taxes

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

Use of Estimates

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Capital Assets and Depreciation

Capital assets of the Board are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Office and other buildings	25-50
Machinery and Equipment	5-10
Vehicles	3-5
Water System	5-60

It is the Board's policy to capitalize all asset purchases greater than or equal to \$500. Expenditures of less than \$500 are expensed at the time of purchase.

Depreciation expense for the years ended September 30, 2023 and 2022 were \$367,175 and \$373,788, respectively.

The cost basis of fully depreciated property and equipment still in use by the Board at September 30, 2023 and 2022 amounted to approximately \$486,000 and \$436,000, respectively.

Net Position Classifications

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

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

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

Reclassification

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

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Subsequent Events

Management has evaluated subsequent events through February 19, 2024, the date the financial statements were available to be issued.

Note 2: Deposits and Restricted Cash

The Board maintains its operating bank accounts in a local financial institution. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The custodial credit risk is the risk that in the event of bank failure, the Board's deposits may not be returned to the Board. The Board's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with Federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. At September 30, 2023, all of the Board's deposits were insured or collateralized.

Restricted cash and cash equivalents and restricted certificates of deposit are restricted by the various ordinances of the Board, and laws. Expenditures from these accounts are restricted to improvements and betterments to the utility plant, water system, the trustee's and paying agent's fees, and refunds of customer deposits. At September 30, 2023 and 2022, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

<u>As of September 30,</u>	<u>2023</u>	<u>2022</u>
Restricted cash		
Meter deposits	\$ 53,079	\$ 45,775
Debt service reserve	183,600	183,600
Bond fund	309,136	267,533
	<u>\$ 545,815</u>	<u>\$ 496,908</u>
 <u>As of September 30,</u>	 <u>2023</u>	 <u>2022</u>
Restricted certificates of deposit		
CD - Citizens Investment Services	<u>\$ 221,801</u>	<u>\$ 214,774</u>

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3: Capital Assets

Capital asset activity for the years ended September 30, 2023 and 2022 were as follows:

	October 1,			September 30,
	2022	Additions	Retirements	2023
Land	\$ 26,636	\$ -	\$ -	\$ 26,636
Vehicles	185,687	70,095	-	255,782
Office and other buildings	110,428	-	-	110,428
Machinery and equipment	170,988	-	7,787	163,200
Water system	10,340,728	-	-	10,340,728
Total	<u>\$ 10,834,467</u>	<u>\$ 70,095</u>	<u>\$ 7,787</u>	<u>\$ 10,896,774</u>

	October 1,			September 30,
	2021	Additions	Retirements	2022
Land	\$ 26,636	\$ -	\$ -	\$ 26,636
Vehicles	171,397	14,290	-	185,687
Office and other buildings	110,428	-	-	110,428
Machinery and equipment	169,005	4,590	2,607	170,988
Water system	10,335,701	5,027	-	10,340,728
Total	<u>\$ 10,813,167</u>	<u>\$ 23,907</u>	<u>\$ 2,607</u>	<u>\$ 10,834,467</u>

Note 4: Long-Term Debt

The Board reissued Water Refunding and Construction Revenue Bonds, Series 2019 adopted August 13, 2019 in the amount of \$4,560,000. Proceeds from the bond issue were deposited with the Bank OZK in a trust account on August 13, 2019, pursuant to the Escrow Deposit Agreement. The Board used the proceeds to pay off the Series 2014 bonds payable during fiscal year 2020 and is presently using remaining funds to finance water system projects under construction. The bonds are primarily payable from and secured by a pledge of, the Board's revenues from the sale of water and secured by a lien on and security interest on all property owned by the Organization. Interest rates are payable at rates of 1.650% to 3.125% over the life of the issue, which is scheduled to mature on November 1, 2039.

The Board is required by the Bond Indenture to keep money in escrow fund accounts that will be used to service the bonds and construction cost. Under the Indenture, a Bond Fund was created which requires the Board to make monthly deposits into an escrow account which will be used for payment of principal and interest on the bonds. The Indenture also requires the establishment of a Debt Service Reserve Fund which will service the bonds in event there is no money available in the Bond Fund. The Debt Service Reserve Fund requires a minimum balance of \$127,500. As of September 30, 2023, the debt service reserve had a of \$183,600. As of September 30, 2023 and 2022, the Bond Fund had balances of \$309,136 and \$267,533, respectively. These amounts are included in the restricted cash balance on the financial statements.

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Debt is scheduled to be repaid as follows:

Year ending September 30,	Principal	Interest	Total
2024	\$ 270,000	\$ 94,050	\$ 364,050
2025	280,000	87,200	367,200
2026	280,000	81,600	361,600
2027	285,000	75,594	360,594
2028	295,000	69,069	364,069
2029-2033	1,590,000	228,706	1,818,706
2034-2038	500,000	75,406	575,406
2039-2040	230,000	7,188	237,188
Total	\$ 3,730,000	\$ 718,813	\$ 4,448,813

Activity of long-term debt consists of the following:

	October 1, 2022	Additions	Retirements	September 30, 2023
2019 issued Bonds	<u>\$ 3,995,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 3,730,000</u>

	October 1, 2021	Additions	Retirements	September 30, 2022
2019 issued Bonds	<u>\$ 4,250,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 3,995,000</u>

Interest paid on long-term debt for the years ended September 30, 2023 and 2022 totaled \$102,075 and \$109,875, respectively.

Note 5: Concentrations of Risk

Revenues and Receivables

Financial instruments that potentially subject the board to credit risk consist primarily of accounts receivable.

Water Supply System

The Board purchases 100% of its water from the City of Fort Smith, Arkansas.

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 6: Risk Management

The Board is exposed to various levels of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Board carries commercial insurance for risk of loss.

There has been no significant reduction in the Board's insurance coverage from the previous year.

Note 7: Commitments

The Water Refunding and Construction Revenue Bonds are revenue obligations of the Issuer and are secured by an irrevocable pledge of the gross revenues of the Issuer. The Board has a principal amount due of \$3,730,000, and interest due of \$49,050 on November 1, 2023. Interest expense of \$40,875 has been accrued on these financial statements as of September 30, 2023.

The Board is obligated to make payments for principal and interest to the Bank OZK. These payments are deposited monthly into escrow accounts that have been established for the bond issue payments. These escrow accounts contain a cash balance of \$492,736 and \$451,133 as of September 30, 2023 and 2022.

CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2023

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of **Cedarville Waterworks Facilities Board of Crawford County, Arkansas**.
2. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States
3. One deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is reported as a material weakness.
4. The Board received no Federal Awards.
5. The Board is in substantial compliance with all sections of its Escrow Deposit Agreement.
6. All deposits are either fully insured by the Federal Government or collateralized by securities.
7. Additional information necessary for full disclosure is included in the audit report dated **February 19, 2024**, and the audited financial statements of the **Cedarville Waterworks Facilities Board of Crawford County, Arkansas** for the year ended September 30, 2023.

**CEDARVILLE WATERWORKS FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2023**

FINDINGS – FINANCIAL STATEMENT AUDIT

SECTION I – DEFICIENCY – CURRENT YEAR

2023-001 - Segregation of duties – A well-constructed system of internal controls monitors compliance with policies and procedures established by management in order to achieve five basic objectives with respect to accounting records. Those objectives are:

- 1) Validity
- 2) Accuracy
- 3) Completeness
- 4) Maintenance
- 5) Physical Security

Many control procedures are common to various areas of accounting. Essential to all control procedures is segregation of duties. A good system of internal controls, which adequately segregate duties, prohibits one individual from performing any related, but potentially conflicted duties. For instance, billing of customers, collection of payments from customers, and deposit of collections or approval of bill for payment, signing of checks, and reconciliation of bank account responsibilities should be segregated to different staff members.

The Board's system of internal controls has numerous instances where employees perform potentially conflicting duties resulting in poor segregation of duties. However, it should be noted that due to the limited number of personnel, the Board is unable to establish an ideal system of internal controls with complete segregation of duties.

Management's Response - Management has mitigated this circumstance somewhat by the active involvement of elected officials as a supervisory or review capacity. This supervisory or review capacity of these officials effectively establishes a layer of internal controls to overcome the deficiencies resulting from lack of segregation of duties.

SECTION II – DEFICIENCY – PRIOR YEAR

2022-001 – Prior year findings same as current year findings.

FINDINGS – GOVERNMENT AUDITING STANDARDS AUDIT

SECTION III – INTERNAL CONTROLS

Same as Section I finding 2023-001

SECTION IV – COMPLIANCE

No findings