

**CHEROKEE VILLAGE WATERWORKS
FACILITIES BOARD OF SHARP
COUNTY, ARKANSAS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



CHEROKEE VILLAGE WATERWORKS FACILITIES
BOARD OF SHARP COUNTY, ARKANSAS
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Cherokee Village Waterworks Facilities Board of Sharp County, AR
Cherokee Village, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas, as of and for the years December 31, 2023 and 2022, and the related notes to the 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 Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Cherokee Village Waterworks Facilities Board of Sharp 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 opinion.

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 Cherokee Village Waterworks Facilities Board of Sharp 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.

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 opinion. 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 Cherokee Village Waterworks Facilities Board of Sharp 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 Cherokee Village Waterworks Facilities Board of Sharp 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.

Required Supplementary Information

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the 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 March 12, 2024, on our consideration of Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' 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 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 Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' 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 Board's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
March 12, 2024

FINANCIAL STATEMENTS

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 267,368	\$ 256,436
Restricted cash and cash equivalents	1,231,587	1,202,348
Certificate of deposit	16,209	3,850
Restricted certificate of deposit	502,720	502,720
Accounts receivable net of allowance for doubtful accounts	80,129	87,088
Inventory	198,167	181,857
Total Current Assets	2,296,180	2,234,299
Net Capital Assets	4,401,634	3,874,009
Total Assets	6,697,814	6,108,308
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	65,506	81,227
Total Deferred Outflows of Resources	65,506	81,227
Total Assets and Deferred Outflows of Resources	\$ 6,763,320	\$ 6,189,535
Liabilities		
Current Liabilities		
Accounts payable	\$ 74,716	\$ 67,171
Payroll taxes payable	4,101	6,022
Accrued payroll	16,339	17,087
Accrued benefits	2,391	3,190
Sales tax payable	10,301	10,369
Accrued interest	1,593	2,569
Customer deposits	219,480	210,747
Current portion of long-term debt	256,882	251,503
Total Current Liabilities	585,803	568,658
Long-term debt, net of unamortized bond discount	1,859,308	2,115,941
Total Liabilities	2,445,111	2,684,599
Net Position		
Net investment in capital assets	2,396,490	1,715,634
Restricted	1,464,694	1,366,479
Unrestricted	457,025	422,823
Total Net Position	4,318,209	3,504,936
Total Liabilities and Net Position	\$ 6,763,320	\$ 6,189,535

See accompanying notes to financial statements.

CHEROKEE VILLAGE WATERWORKS FACILITIES

BOARD OF SHARP COUNTY, ARKANSAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Operating Revenue		
Metered water sales, net of bad debts	\$ 1,369,474	\$ 1,346,255
Fire protection	175,874	175,874
Plumbing inspections	770	1,345
Miscellaneous services	36,487	41,623
Total Operating Revenue	1,582,605	1,565,097
Operating Expenses		
Advertising	515	-
Bank and trustee fees	2,240	2,796
Chemicals	2,985	-
Contract labor	42,161	29,375
Depreciation	210,896	223,361
Dues and licenses	2,896	2,108
Employee benefits	98,784	119,986
Insurance	43,383	45,644
Laboratory fees	13,128	15,554
Office expense	36,622	42,826
Other operating expenses	3,555	2,286
Other taxes and licenses	105	104
Payroll taxes	33,692	33,135
Professional fees	34,906	29,027
Repairs and maintenance	138,052	45,741
Salaries and wages	441,920	440,672
Supplies	12,587	89,875
Training and education	6,747	6,861
Uniforms	10,337	8,072
Utilities	106,971	113,190
Vehicle	51,982	45,972
Total Operating Expenses	1,294,464	1,296,585
Net Income From Operations	288,141	268,512
Other Income (Expenses)		
Grant revenue	527,708	-
Interest income	41,515	9,125
Realized and unrealized gain (loss) on investments	-	(3,542)
Gain on sale of assets	7,000	-
Interest expense	(51,091)	(57,006)
Total Other Income (Expenses)	525,132	(51,423)
Change in Net Position	813,273	217,089
Net Position at Beginning of Year,	3,504,936	3,287,847
Net Position at End of Year	\$ 4,318,209	\$ 3,504,936

See accompanying notes to financial statements.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,598,229	\$ 1,567,792
Cash payments to suppliers for goods and services	(651,107)	(664,651)
Cash payments to employees for services	(444,694)	(439,759)
Net Cash Provided By Operating Activities	502,428	463,382
Cash Flows From Capital and Related Financing Activities		
Grant proceeds for capital projects	527,708	-
Cash paid for property, plant, and equipment	(738,521)	(98,421)
Cash received for sale of property, plant, and equipment	7,000	-
Repayment of debt	(251,503)	(246,136)
Interest paid on debt	(36,097)	(39,210)
Net Cash Provided Used In Capital and Related Financing Activities	(491,413)	(383,767)
Cash Flows From Investing Activities		
Net activity of restricted investments	-	375,063
Proceeds from the sale of stock	-	59,889
Reinvestment of certificate of deposit earnings	(12,359)	(1,292)
Interest income	41,515	9,125
Net Cash Provided By Investing Activities	29,156	442,785
Net Increase In Cash, Cash Equivalents and Restricted Cash	40,171	522,400
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	1,458,784	936,384
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 1,498,955	\$ 1,458,784
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 267,368	\$ 256,436
Restricted cash and cash equivalents	1,231,587	1,202,348
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,498,955	\$ 1,458,784

See accompanying notes to financial statements.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net Income from operations	\$ 288,141	\$ 268,512
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	210,896	223,361
(Increase) decrease in:		
Accounts receivable	6,959	(8,307)
Inventory	(16,310)	(17,522)
Increase (decrease) in:		
Accounts payable	7,545	(16,184)
Payroll taxes payable	(1,921)	1,682
Accrued payroll	(748)	(665)
Accrued benefits	(799)	1,503
Sales tax payable	(68)	1,902
Customer deposits	8,733	9,100
Net Cash Provided By Operating Activities	\$ 502,428	\$ 463,382
Supplemental Schedule of Noncash Investing Activities		
Total cost of capital assets acquired	\$ 738,521	\$ 157,745
Less: construction payables	-	(59,324)
Total cash paid for fixed asset additions	\$ 738,521	\$ 98,421

See accompanying notes to financial statements.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Business

Cherokee Village Waterworks Facilities Board of Sharp County, AR (the Board) was created in 1993 by the Quorum Court of Sharp County. The purpose of the Board is to acquire, construct, maintain and operate a water system for the supplying of water to its customers in various areas within and near Sharp County.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Board's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Board accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Board. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Reclassifications

Certain 2022 amounts have been reclassified in order to conform with the 2023 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

Income Tax Status

The Board is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Board considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies

Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. The Board extends credit for services provided to its customers for a limited period of time. Interest is not charged on past due accounts, however the Board does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information. On December 31, 2023 the and 2022 the allowance for doubtful accounts balance was \$367,771 and \$193,010, respectively.

Inventory

Inventory consists of supplies and repair parts for the operation and maintenance of the water system and equipment. The amount recorded in these financial statements is estimated at cost using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Building	40 years
Transmission system	5-50 years
Equipment	7-20 years
Transportation equipment	5 years

It is the Board's policy to capitalize asset purchases equal to or more than \$2,500. Expenditures of less than \$2,500 are expensed at the time of purchase.

Leases

The Board determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date.

The Board monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure any right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price and is amortized over the shorter of the remaining life of the old debt or the life of the new debt.

Compensated Absences

Employees earn vacation in varying amounts based upon length of service with the Board. In addition, employees earn three personal days and two weeks of paid sick leave if needed, after all vacation and personal time has been used. Unused sick and personal time cannot be carried forward from year to year and unused vacation can only be carried forward with Board approval. Therefore, no accrual has for compensated absences was necessary at December 31, 2023 and 2022.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are non-interest bearing and refundable to customers when the Board no longer serves the customer. The Board uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Net Position

Net position of the Board are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external 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.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Board does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Management decides which resources (source of funds) to use at the time expenditures are incurred. For classification of net position balance amounts, restricted resources are considered spent before unrestricted.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Board's principal ongoing operations. The principal operating revenues of the Board consist of water sales and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 and 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 those estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following accounting pronouncements which became effective for the Waterworks' fiscal year ended December 31, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

Implementation of these new standards did not have any impact on the Board's financial statements.

2. Deposits and Investments

The Board does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a Board's deposits may not be recovered. At December 31, 2023 and 2022, all of the Board's deposits were insured and/or collateralized. Independent third parties held securities in the Board's name as collateral. The bank balances and carrying amount of the Board's deposits held were as follows:

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 717,427	\$ 717,427	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the Board's name	809,701	781,428	986,592	958,684
Cash on hand	-	100	-	100
Total	\$ 1,527,128	\$ 1,498,955	\$ 1,486,592	\$ 1,458,784

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits and Investments (continued)

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2023	2022
Cash and cash equivalents	\$ 267,368	\$ 256,436
Restricted cash and cash equivalents	1,231,587	1,202,348
Total	\$ 1,498,955	\$ 1,458,784

Investments

The Board's investments consist of certificates of deposit and are stated at cost plus interest earned.

As Of December 31, 2023	Market	Maturity	Credit Rating
Certificate of deposit for debt service and depreciation reserves	\$ 518,929	< 1 year	N/A
Total	\$ 518,929		

As Of December 31, 2022	Market	Maturity	Credit Rating
Certificate of deposit for debt service and depreciation reserves	\$ 506,570	< 1 year	N/A
Total	\$ 506,570		

Investments as reported in the following Statement of Net Position captions:

As Of December 31,	2023	2022
Certificate of deposit	\$ 16,209	\$ 3,850
Restricted certificate of deposit	502,720	502,720
Total	\$ 518,929	\$ 506,570

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Board's investments are not subject to interest rate risk as the investments are short-term in nature.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits and Investments (continued)

Investments (continued)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023 and 2022, the Board's investments were FDIC insured and/or collateralized.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Board will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Board or by an agent of the Board are in the Board's name.

Fair Value Measurement

The Board's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the Board's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1		Level 2		Level 3		Total
Certificate of deposit	\$	518,929	\$	-	\$	-	\$ 518,929
Total	\$	518,929	\$	-	\$	-	\$ 518,929

3. Restricted Accounts

The Board has restricted accounts for the following:

Depreciation accounts - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water system.

Meter Deposit Account - restricted for repayment of customer meter deposits.

Debt Service Reserves / Bond Fund - restricted for maintaining a debt service reserve and payment of principal and interest on bonds.

Construction Account - restricted for improvements outlined in the bond official statement.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Restricted Accounts (continued)

Balances of the restricted accounts are as follows:

As of December 31,	2023	2022
Restricted checking accounts:		
Depreciation account	\$ 794,680	\$ 704,770
Meter deposit account	219,480	210,747
Restricted interest bearing business accounts:		
Bond fund	32,189	25,437
Debt service reserve	139,698	133,552
Construction account	45,540	127,842
Total restricted cash and cash equivalents	\$ 1,231,587	\$ 1,202,348
Restricted certificate of deposit:		
Depreciation account	\$ 475,000	\$ 475,000
Debt service reserve	27,720	27,720
Total restricted certificate of deposit	\$ 502,720	\$ 502,720

4. Accounts Receivable

Accounts receivable consist of the following:

As Of December 31,	2023	2022
Water sales and service	\$ 84,899	\$ 91,858
Fire hydrant service	362,001	188,240
Total accounts receivable	446,900	280,098
Less: Allowance for doubtful accounts		
Water sales and service	(4,770)	(4,770)
Fire hydrant service	(362,001)	(188,240)
Total allowance for doubtful accounts	(366,771)	(193,010)
Accounts receivable, net.	\$ 80,129	\$ 87,088

The Board has recorded an allowance for the entire balance owed on the Fire hydrant service contract. See Note 13 for additional information.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Capital Assets / Grant Revenue

Activity of capital assets consists of the following:

As Of	January 1, 2023	Additions & Contributions	Retirements/ Transfers	December 31, 2023
Land	\$ 130,708	\$ -	\$ -	\$ 130,708
Transmission and distribution	3,386,738	-	-	3,386,738
Improvements	3,423,121	-	-	3,423,121
General plant	384,016	-	-	384,016
Pumping plant	296,211	38,168	-	334,379
Building	655,926	-	-	655,926
Service of supply	74,211	-	-	74,211
Hydrants	207,751	-	-	207,751
Telemetry equipment	191,327	-	-	191,327
Itron meter	115,603	-	-	115,603
Vehicles	371,919	111,951	-	483,870
Office equipment	36,231	7,200	-	43,431
Construction in progress	180,654	581,202	-	761,856
Total Capital Assets	9,454,416	738,521	-	10,192,937
Less: Accumulated Depreciation	5,580,407	210,896	-	5,791,303
Net Capital Assets	\$ 3,874,009	\$ 527,625	\$ -	\$ 4,401,634

Construction in progress consists of the following projects:

Project	Balance at 12/31/23	Balance at 12/31/22	(Estimated) Total Cost	Status
Cheyenne ground storage tank replacement	\$ 675,724	\$ 121,330	\$ 796,651	completed in February 2024
Zia pump station	59,324	59,324	59,324	completed January 2024
State bridge project	26,809	-	904,720	estimate July 2024
	\$ 761,857	\$ 180,654	\$ 1,760,695	

The Board received American Rescue Plan Act grant proceeds totaling \$527,708 during the year ended December 31, 2023 to fund the Cheyenne tank replacement project

The State will reimburse the Board for costs incurred on the bridge project.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Capital Assets / Grant Revenue (continued)

As Of	January 1, 2022	Additions & Contributions	Retirements/ Transfers	December 31, 2022
Land	\$ 130,708	\$ -	\$ -	\$ 130,708
Transmission and distribution	3,381,374	5,364	-	3,386,738
Improvements	3,423,121	-	-	3,423,121
General plant	384,016	-	-	384,016
Pumping plant	296,211	-	-	296,211
Building	655,926	-	-	655,926
Service of supply	74,211	-	-	74,211
Hydrants	207,751	-	-	207,751
Telemetry equipment	191,327	-	-	191,327
Itron meter	115,603	-	-	115,603
Vehicles	371,919	-	-	371,919
Office equipment	36,231	-	-	36,231
Construction in progress	28,273	152,381	-	180,654
Total Capital Assets	9,296,671	157,745	-	9,454,416
Less: Accumulated Depreciation	5,357,046	223,361	-	5,580,407
Net Capital Assets	\$ 3,939,625	\$ (65,616)	\$ -	\$ 3,874,009

6. Lease

In September 2021, the Board signed a three year lease agreement for phone equipment. The Board pays \$90 monthly plus additional variable amounts for usage.

Because this is a contract that conveys the control of the right to use a nonfinancial asset of the Board for a period of time in an exchange transaction, the lease falls under the scope of GASB No. 87, *Leases*. Under the lease standard the Board would need to record a right to use asset and related lease liability. Total rental expense remaining on the term of the lease was approximately \$809 and \$1,888 at December 31, 2023 and 2022, respectively. As this amount is not material to the financial statements, the Board did not record the right to use asset or related liability in the accompanying financial statements. The lease expires in September 2024 and contains annual renewal options that may or may not be exercised.

The Board recognized \$1,079 of equipment rental expense during the years ended December 31, 2023 and 2022. Variable usage expenses paid on the lease during the years ended December 31, 2023 and 2022, were \$4,841 and \$4,139, respectively. These expenses are included in utilities expense on the Statement of Revenues, Expenses, and Changes in Net Position.

The Board will continue to evaluate all leases going forward to ensure compliance with the lease standard.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. Long-Term Debt

On February 25, 2021, the Board issued Water Revenue Refunding and Improvement Bonds, Series 2021 in the amount of \$2,290,000. \$1,841,050 of the proceeds were used to defease the Revenue Refunding Bonds Series 2012, that were called on March 8, 2021. \$400,000 of the proceeds are to fund Board improvements including sand blasting and painting a 150,000 gallon concrete ground water tank and replacing items on the tank as needed, with possible tank replacement. Other improvements include purchasing a new mapping system with handheld GPS, a backhoe, trench box, chlorinator, DC ditch pump, other equipment, replacing office fire alarm system and approximately 300 new meters. The remaining proceeds were used to pay costs associated with bond issue. The issuance of these bonds will result in savings of approximately \$102,000 to the Board over the life of the bonds.

Long-term debt of the Board consists of:

As of December 31,	2023	2022
Rural Development - note dated November 4, 2009 in the amount of \$600,000. Payments in the amount of \$2,268 are made monthly including interest at 3.25%. The note is secured by revenues of the water system and is scheduled to mature in 2050.	\$ 477,227	\$ 488,730
Revenue Refunding and Improvement Bonds Series 2021, dated February 25, 2021, in the amount of \$2,290,000. Principal payments are made in annual installments ranging from \$175,000 to \$140,000. Semi-annual interest payments are made with rates varying from 0.70% to 2.00%. The bonds are secured by revenues of the water system with final maturity on December 31, 2030.	1,640,000	1,880,000
Total long-term debt	2,117,227	2,368,730
Less current maturities	256,882	251,503
Long-Term Debt	1,860,345	2,117,227
Less unamortized discount on 2021 Series bonds	1,037	1,286
Long-term debt, net	\$ 1,859,308	\$ 2,115,941

Each of the Board's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the Board on behalf of the issuer until all defaults have been cured; assessing additional interest, penalties and other charges; pursue any remedy by law to enforce payment of principal and interest.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 245,000	\$ 18,704	\$ 11,882	\$ 15,334
2025	245,000	16,744	12,274	14,942
2026	250,000	14,600	12,679	14,537
2027	250,000	12,100	13,097	14,119
2028	255,000	9,287	13,529	13,687
2029-2033	395,000	8,375	75,168	61,437
2034-2038	-	-	87,269	48,286
2039-2043	-	-	103,263	32,817
2044-2048	-	-	121,456	14,624
2049-2050	-	-	26,610	469
Total	\$ 1,640,000	\$ 79,810	\$ 477,227	\$ 230,252

Activity of long-term liabilities consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023	Due Within One Year
Rural Development \$	488,730	\$ -	\$ 11,503	\$ 477,227	\$ 11,882
Revenue Refunding and Improvement Bonds 2021	1,880,000	-	240,000	1,640,000	245,000
Total	\$ 2,368,730	\$ -	\$ 251,503	\$ 2,117,227	\$ 256,882

As Of	January 1, 2022	Additions	Retirements	December 31, 2022	Due Within One Year
Rural Development \$	499,866	\$ -	\$ 11,136	\$ 488,730	\$ 11,503
Revenue Refunding and Improvement Bonds 2021	2,115,000	-	235,000	1,880,000	240,000
Total	\$ 2,614,866	\$ -	\$ 246,136	\$ 2,368,730	\$ 251,503

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

8. Rate Covenant

The Trust Indenture of the 2021 Series Bonds and Rural Development note both contains a provision (Rate Covenant) which requires the Board to produce total revenues in each fiscal sufficient to (1) pay all operation, repair and maintenance expenses (exclusive of depreciation, interest on bonds, and amortization expenses), (2) make all required deposits into the Debt Service Reserve Fund and/or Depreciation Fund, and (3) leave a balance equal to 110%/120% of the maximum annual debt service requirements of all outstanding Bonds and Parity obligations and to meet various other general requirements. For the years ended December 31, 2023 and 2022, the Board had satisfied the covenants.

9. Bond Discount Costs and Deferred Loss on Refunding

The bond discount incurred in connection with the issuance of the 2021 Series revenue refunding and improvement bonds was \$1,742 and is being amortized over 7 years. Amortization of this discount totaled \$249 for both years ended December 31, 2023 and 2022. Amortization expense is included as a component of interest expense on the Statement of Revenues, Expenses, and Changes in Net Position. The unamortized portion of \$1,037 and \$1,286 at December 31, 2023 and 2022, respectively, is netted with long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance of \$65,506 and \$81,227 at December 31, 2023 and 2022, respectively, as a result of the 2021 Series bond refunding, is shown as deferred outflows on the Statement of Net Position and is being amortized over seven years. Amortization of the deferred loss totaled \$15,721 for the both years ended December 31, 2023 and 2022, and is included in interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

10. Concentrations of Credit Risk

Financial instruments that potentially subject the Board to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

11. Retirement Plan

All full-time employees who meet eligibility requirements and so elect can participate in the Board's 401(k) Retirement Plan. The Board has the authority to establish and amend the plan documents as necessary. American Funds is the plan trustee. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

11. Retirement Plan (continued)

The Board matches employee contributions up to 3% of the employee's pay. No funds are deposited by the Board unless the employee makes a contribution. Retirement employer matching contributions by the Board for the years ended December 31, 2023 and 2022, were \$9,897 and \$9,517, respectively.

In addition, the Board may make an additional elective discretionary employee contribution to the Plan. The Board made additional elective contributions to the Plan totaling \$10,854 and \$11,159 during the years ended December 31, 2023 and 2022, respectively.

12. 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 all other risks of loss, including workers' compensation insurance and employee health and accident insurance.

There has been no significant reduction in the Board's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Board's coverage in any of the prior three fiscal years.

13. Lawsuit

The Board is the plaintiff in a lawsuit with another entity for a contract dispute regarding the supply of water to numerous fire hydrants in the entity's district. Per the agreement, the entity is to pay a monthly fee of \$14,480 to the Board for as long as the Board supplies water to the fire hydrants in the entity's district. The entity ceased making payments to the Board in January 2022. The Board is asking the court to uphold the contract terms. The total unpaid balance owed to the Board as of December 31, 2023, is \$362,001. An allowance for this receivable has been recorded (see Note 4) as the outcome of the lawsuit is uncertain. The next court date is in May 2024.

14. Subsequent Events

The Board has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through March 12 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REPORT



**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
Cherokee Village Waterworks Facilities Board of Sharp County, AR
Cherokee Village, 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 Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' 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 Board'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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee Village Waterworks Facilities Board of Sharp County, Arkansas' financial statement 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*.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
March 12, 2024