

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD
OF FRANKLIN COUNTY, ARKANSAS
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023



Hubbs & Whitehead, CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

**Pleasant View Water Public Facilities Board of Franklin County, Arkansas
Mulberry, Arkansas**

Opinion

We have audited the accompanying financial statements of **Pleasant View Water Public Facilities Board of Franklin County, Arkansas** (the Board) as of and for the years ended **July 31, 2024 and 2023**, and the related notes to the financial statements, which collectively comprise the Board'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 respective financial position of the Board as of **July 31, 2024 and 2023**, and the respective changes in the financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Member of:

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

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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 24, 2025**, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hubbs & Whitehead, CPAs". The script is cursive and fluid.

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

February 24, 2025

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

To the Board of Directors

**Pleasant View Water Public Facilities Board of Franklin County, Arkansas
Mulberry, 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 **Pleasant View Water Public Facilities Board of Franklin County, Arkansas** (the Board) as of and for the year ended **July 31, 2024**, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated **February 24, 2025**.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Member of:

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

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*.

Pleasant View Water Public Facilities Board of Franklin County, Arkansas' Response to Findings

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

Purpose of this Report

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



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

February 24, 2025

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
STATEMENTS OF NET POSITION
JULY 31, 2024 AND 2023

ASSETS			
		2024	2023
CURRENT ASSETS			
Cash and equivalents	\$	969	\$ 24,170
Restricted cash		267,527	258,010
Accounts receivable, net of allowance for doubtful accounts of \$11,311 and \$10,800 respectively		<u>88,893</u>	<u>86,610</u>
Total Current Assets		<u>357,389</u>	<u>368,790</u>
CAPITAL ASSETS			
Land		31,728	31,728
Water system		6,316,643	6,316,643
Office building		134,856	134,856
Office equipment		14,434	14,434
Machinery and equipment		36,076	36,076
Furniture and fixtures		10,103	10,103
Transportation equipment		<u>52,167</u>	<u>52,167</u>
		6,596,007	6,596,007
Less: accumulated depreciation		<u>(3,111,771)</u>	<u>(2,919,768)</u>
Net Capital Assets		<u>3,484,236</u>	<u>3,676,239</u>
NONCURRENT ASSETS			
Unrestricted certificate of deposit		80,724	76,893
Restricted certificate of deposit		<u>41,031</u>	<u>-</u>
Total Noncurrent Assets		<u>121,755</u>	<u>76,893</u>
Total Assets	\$	<u><u>3,963,380</u></u>	<u><u>\$ 4,121,922</u></u>

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

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
STATEMENTS OF NET POSITION
JULY 31, 2024 AND 2023

LIABILITIES AND NET POSITION

	2024	2023
CURRENT LIABILITIES		
Accounts payable	\$ 12,760	\$ 11,113
Accrued payroll	1,938	-
Accrued payroll taxes	4,480	-
Sales tax payable	5,718	5,882
Accrued interest payable	4,597	4,613
Current portion of long-term debt	115,095	103,166
Meter deposits payable	<u>82,438</u>	<u>80,774</u>
 Total Current Liabilities	 227,026	 205,548
 LONG-TERM DEBT, net	 <u>2,268,624</u>	 <u>2,579,452</u>
 Total Liabilities	 <u>2,495,650</u>	 <u>2,785,000</u>
 NET POSITION		
Invested in capital assets, net of related debt	1,100,517	993,621
Restricted	308,558	258,010
Unrestricted	<u>58,655</u>	<u>85,291</u>
 Total Net Position	 <u>1,467,730</u>	 <u>1,336,922</u>
 Total Liabilities and Net Position	 <u><u>\$ 3,963,380</u></u>	 <u><u>\$ 4,121,922</u></u>

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

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JULY 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water sales, net of provision for bad debts	\$ 777,645	\$ 759,557
Tap fees	20,100	10,900
Turn on fees	1,445	630
Other service income	<u>1,941</u>	<u>9,789</u>
Total Operating Revenues	<u>801,131</u>	<u>780,876</u>
OPERATING EXPENSES		
Bank Charges	-	20
Communications	7,908	6,710
Contract labor	200	-
Depreciation	192,003	205,169
Employee benefits	12,161	5,850
Insurance	46,049	42,449
Licenses, dues and subscriptions	6,065	5,448
Miscellaneous	29	1,504
Office expense	8,148	8,294
Operating supplies	1,271	905
Payroll tax expense	16,889	12,242
Postage	6,373	5,501
Professional Fees	16,523	11,771
Repairs and maintenance	104,880	57,967
Truck expense	7,719	7,669
Uniforms	1,500	1,452
Utilities	19,029	26,769
Wages	173,594	156,223
Water purchases	<u>182,778</u>	<u>156,746</u>
Total Operating Expenses	<u>803,119</u>	<u>712,689</u>
OPERATING INCOME (LOSS)	<u>(1,988)</u>	<u>68,187</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest income	12,184	6,104
Insurance proceeds	11,007	-
Grant income	176,250	-
Trustee fees	(2,021)	(2,049)
Interest expense	<u>(64,624)</u>	<u>(59,932)</u>
Total Non-Operating Revenue (Expenses)	<u>132,796</u>	<u>(55,877)</u>
CHANGE IN NET POSITION	<u>130,808</u>	<u>12,310</u>
NET POSITION, BEGINNING OF YEAR	1,336,922	1,343,370
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(18,758)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>1,336,922</u>	<u>1,324,612</u>
NET POSITION, END OF YEAR, RESTATED	<u>\$ 1,467,730</u>	<u>\$ 1,336,922</u>

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

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 798,848	\$ 776,078
Cash payments to suppliers for goods and services	(398,907)	(322,114)
Cash payments to employees for services	(202,644)	(174,315)
	<u>197,297</u>	<u>279,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposit	(44,862)	(76,893)
Insurance proceeds	11,007	-
Interest income	12,184	6,104
	<u>(21,671)</u>	<u>(70,789)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(15,659)
Principal paid on long-term debt	(298,899)	(135,433)
Interest paid on long-term debt	(64,640)	(60,932)
Grant income	176,250	-
Trustee fees	(2,021)	(2,049)
	<u>(189,310)</u>	<u>(214,073)</u>
CHANGE IN CASH AND EQUIVALENTS	(13,684)	(5,213)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>282,180</u>	<u>287,393</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 268,496</u></u>	<u><u>\$ 282,180</u></u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and equivalents	\$ 969	\$ 24,170
Restricted cash	<u>267,527</u>	<u>258,010</u>
Cash and equivalents and restricted cash at end of year	<u><u>\$ 268,496</u></u>	<u><u>\$ 282,180</u></u>

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

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating income	\$ (1,988)	\$ 68,187
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	192,003	205,169
Change in:		
Accounts receivable	(2,283)	11,250
Accounts payable	1,647	(7,860)
Accrued payroll	1,938	-
Accrued payroll taxes	4,480	-
Sales tax payable	(164)	(560)
Meter deposits payable	1,664	3,463
	<u>199,285</u>	<u>211,462</u>
Total Adjustments		
	<u>199,285</u>	<u>211,462</u>
Net Cash Flows From Operating Activities	<u><u>\$ 197,297</u></u>	<u><u>\$ 279,649</u></u>

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

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Note 1: Summary of Significant Accounting Policies

Pleasant View Water Public Facilities Board of Franklin County, Arkansas (the Board), previously known as Pleasant View Water Users Association, Inc. was created December 18, 1997 pursuant to the provisions of Arkansas Code Annotated Section 14-137-1040 et seq. (1987; Suppl. 1995)(the "Act"). The purpose of the Board is to provide water to residential and commercial customers in a rural area north and south of Interstate 40, from Ozark to Mulberry, Arkansas.

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.

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Cash Equivalents

For purposes of the statements of cash flows, the Board considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Board had no cash equivalents as of July 31, 2024 and 2023.

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 \$11,311 and \$10,800, respectively, as of July 31, 2024 and 2023.

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 it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Board has filed all applicable tax returns. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Board has no open examinations with either the Internal Revenue Service or state taxing authorities.

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

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 building	39
Furniture and fixtures	5-7
Machinery and Equipment	5-10
Vehicles	5
Water System	15-40

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. As of July 31, 2024 and 2023, the Board had fully depreciated assets still in service of approximately \$1,019,000 and \$899,000, respectively.

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.

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.

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Accounting Pronouncements Adopted

In June 2022, the GASB issued Statement Number 101 (GASB 101), Compensated Absences – effective for periods beginning after December 15, 2023. GASB 101 is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Management has evaluated the impact of implementation of these statements to the financial statements of the Department and has concluded that the implementation of these statements does not significantly impact the financial statements of the Department.

Subsequent Events

Subsequent events are evaluated through February 24, 2025, the date the financial statements were available to be issued.

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.

Note 2: Deposits, Restricted Cash and Certificates of Deposit

The Board maintains its operating bank accounts in local financial institutions. 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 July 31, 2024, all of the Board's deposits were insured or collateralized.

Restricted cash and cash equivalents are restricted by the various ordinances of the Board, and laws. Expenditures from these accounts are restricted to bond and debt service payments. At July 31, 2024 and 2023, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

<u>Restricted Cash and Certificates of Deposit</u>	<u>2024</u>	<u>2023</u>
Depreciation Reserve	\$ 58,061	\$ 56,803
Act 605 Account	18,722	34,663
Short-Lived Asset Account	14,236	8,504
Meter Deposit Account	5,080	-
Bond Fund	88,393	80,737
Debt Service Reserve	83,035	77,303
Total Restricted Cash	<u>267,527</u>	<u>258,010</u>
Act 605 CD	<u>41,031</u>	-
Total Restricted Certificates of Deposit	<u>41,031</u>	-
Total Restricted Cash and Certificates of Deposit	<u>\$ 308,558</u>	<u>\$ 258,010</u>

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Note 3: Capital Assets

Capital asset activity for the years ended July 31, 2024 and 2023 are as follows:

	August 1, 2023	Additions	Retirements	July 31, 2024
Land	\$ 31,728	\$ -	\$ -	\$ 31,728
Water system	6,316,643	-	-	6,316,643
Office building	134,856	-	-	134,856
Office equipment	14,434	-	-	14,434
Machinery and equipment	36,076	-	-	36,076
Furniture and fixtures	10,103	-	-	10,103
Transportation equipment	52,167	-	-	52,167
Total	<u>\$ 6,596,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,596,007</u>

	August 1, 2022	Additions	Retirements	July 31, 2023
Land	\$ 31,728	\$ -	\$ -	\$ 31,728
Water system	6,300,984	15,659	-	6,316,643
Office building	134,856	-	-	134,856
Office equipment	13,570	864	-	14,434
Machinery and equipment	36,076	-	-	36,076
Furniture and fixtures	10,103	-	-	10,103
Transportation equipment	52,167	-	-	52,167
Total	<u>\$ 6,579,484</u>	<u>\$ 16,523</u>	<u>\$ -</u>	<u>\$ 6,596,007</u>

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Note 4: Long-Term Debt

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
2020 Series Bonds, issued November 12, 2020, in the original amount of \$2,257,000. The bonds yield varying rates of interest ranging from 2.00% to 4.65%. Final maturity of the bonds is July 1, 2039. Security for the bonds is a pledge of real estate and premises, rights and ways and easements, with all buildings, additions and improvements of every nature now located in Franklin County, Arkansas with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining, now owned by the Board. All water supply and water service contracts and other properties of any nature now owned by the Board and not covered by the properties described above, including, without limitation, all assets, franchises, rights, privileges, licenses and rights of way, and all revenues and income of the Board while any bonds issued are outstanding.	\$ 1,975,000	\$ 2,070,000
2017 Water Revenue Bond - payments will be made monthly in the amount of \$1,651 and include interest of 3.125%. Payments will be made beginning on August 26, 2019 and mature on July 26, 2058. Interest only payments will be made from August 26, 2018 until July 26, 2019. The bond is secured by a pledge of future revenues of the System as well as real estate and other capital holdings.	412,023	416,270
Central Tax Exempt Investments, LLC lease-purchase agreement - payments will be made monthly in the amount of \$2,284 and include interest of 3.137%. Payments will be made beginning on June 30, 2022 and mature on March 31, 2032. The lease-purchase agreement is secured by capital holdings.	11,632	211,254
Today's Bank - payments will be made monthly in the amount of \$968 and include interest of 5.00%. Payments will be made beginning on September 25, 2018 and mature on August 25, 2023. The loan is secured by two 2018 Dodge Ram 1500 trucks.	-	838
Total long-term debt	2,398,655	2,698,362
Less: current portion of long-term debt	(115,095)	(103,166)
Less: unamortized discount on bonds	(14,936)	(15,744)
Long-term debt, net	<u>\$ 2,268,624</u>	<u>\$ 2,579,452</u>

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Debt is scheduled to be repaid as follows:

Year ending			
July 31,	Principal	Interest	Total
2025	\$ 115,095	\$ 54,031	\$ 169,126
2026	104,699	52,494	157,193
2027	105,943	51,031	156,974
2028	108,195	49,167	157,362
2029	110,455	46,887	157,342
2030-2034	587,469	198,320	785,789
2035-2039	659,316	125,176	784,492
2040-2044	399,489	47,393	446,882
2045-2049	74,211	26,949	101,160
2050-2054	86,744	14,416	101,160
2055-2057	47,039	1,860	48,898
Total	\$ 2,398,655	\$ 667,724	\$ 3,066,378

Activity of long-term debt consists of the following:

	August 1,			July 31,
	2023	Additions	Reductions	2024
2017 Water Revenue Bond	\$ 416,270	\$ -	\$ 4,247	\$ 412,023
Lease-Purchase Agreement	211,254	-	199,622	11,632
Today's Bank Trucks Loan	838	-	838	-
Bonds Payable - 2020 Series	2,070,000	-	95,000	1,975,000
Total	\$ 2,698,362	\$ -	\$ 299,707	\$ 2,398,655

	August 1,			July 31,
	2022	Additions	Reductions	2023
2017 Water Revenue Bond	\$ 426,805	\$ -	\$ 10,535	\$ 416,270
Lease-Purchase Agreement	231,691	-	20,437	211,254
Today's Bank Trucks Loan	12,106	-	11,268	838
Bonds Payable - 2020 Series	2,164,000	-	94,000	2,070,000
Total	\$ 2,834,602	\$ -	\$ 136,240	\$ 2,698,362

Note 5: Bond Issue Discount

The bond issue discount represents the additional interest (over and above any cash interest) over the term of the bonds. This original issue discount is being amortized using the straight-line method over the life of the bonds. Amortization of the 2020 series bond discount was \$807 for both years ended July 31, 2024 and 2023, respectively, and was charged to interest expense.

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023

Note 6: Concentrations of Risk

Revenues and Receivables

Financial instruments that potentially subject the Board to credit risk consist primarily of accounts receivable. The Board sells water to residential and commercial customers in a rural area north and south of Interstate 40, from Ozark to Mulberry, Arkansas.

Water Supply System

The Board purchases its water from the cities of Ozark and Mulberry, Arkansas. If the cost of the water were to increase or the possibility of the Board to have to obtain water from another supplier was to occur, this may have an effect on the Board's ability to continue in its current state.

Note 7: 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 8: Error Correction

For the year ended July 31, 2022, it was discovered that the Board entered into a lease-purchase agreement for the installation and use of new E-meters. The effects of adjusting the prior period financial statements are as follows:

	<u>2022</u>	<u>Adjustment</u>	<u>2022 Restated</u>
Water System	\$ 6,070,633	\$ 230,351	\$ 6,300,984
Accumulated Depreciation	2,697,181	17,418	2,714,599
Long-Term Debt, net	2,474,098	231,691	2,705,789
Depreciation Expense	181,733	17,418	199,151
Bank Charges	50	3,460	3,510
Interest Expense	58,105	(2,120)	55,985
Net position, invested in capital assets, net of related debt	1,065,592	(18,758)	1,046,834
Net position, unrestricted	132,789	(56,639)	76,150
	<u>2023</u>	<u>Adjustment</u>	<u>2023 Restated</u>
Water System	\$ 6,086,292	\$ 230,351	\$ 6,316,643
Accumulated Depreciation	2,879,315	40,453	2,919,768
Long-Term Debt, net	2,368,198	211,254	2,579,452
Depreciation Expense	182,134	23,035	205,169
Interest Expense	52,956	(20,437)	32,519
Net position, invested in capital assets, net of related debt	1,014,977	(21,356)	993,621
Net position, unrestricted	193,514	(108,223)	85,291

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JULY 31, 2024

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of **Pleasant View Water Public Facilities Board of Franklin 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 is in substantial compliance with all sections of its escrow deposit agreements.
5. All funds deposited are in institutions insured by the Federal Government or collateralized by securities.
6. Additional information necessary for full disclosure is included in the audit report dated **February 24, 2025**, and the audited financial statements of the **Pleasant View Water Public Facilities Board of Franklin County, Arkansas** for the year ended July 31, 2024.

PLEASANT VIEW WATER PUBLIC FACILITIES BOARD OF FRANKLIN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JULY 31, 2024

SECTION I – CURRENT YEAR

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

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

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

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

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

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

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

SECTION II – DEFICIENCY – PRIOR YEAR

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

FINDINGS – GOVERNMENT AUDITING STANDARDS AUDIT

SECTION III – INTERNAL CONTROLS

Same as Section I finding 2024-001

SECTION IV – COMPLIANCE

No findings