

**SOUTH LOGAN COUNTY WATER
PUBLIC FACILITIES BOARD
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITOR’S REPORT	1
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	4
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to the Financial Statements.....	10
SUPPLEMENTARY INFORMATION	
Schedule of Findings and Questioned Costs	18
Additional Comments Required by Rural Development	19

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Logan County Water Public Facilities Board
Booneville, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the **South Logan County Water Public Facilities Board** (enterprise fund) as of and for the years ended **December 31, 2022 and 2021**, and the related notes to the financial statements, which collectively comprise **South Logan County Water Public Facilities 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 business-type activities of **South Logan County Water Public Facilities Board** as of **December 31, 2022 and 2021** and the changes in financial position and cash flows thereof 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 **South Logan County Water Public Facilities Board**, 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 error or fraud.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **South Logan County Water Public Facilities 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 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 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, including omissions, 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, 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 **South Logan County Water Public Facilities 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 **South Logan County Water Public Facilities 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Additional Comments required by Rural Development and the Schedule of Findings and Questioned Costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Comments required by Rural Development and the Schedule of Findings and Questioned Costs are fairly stated in all materially respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **May 5, 2023**, on our consideration of the **South Logan County Water Public Facilities 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 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 **South Logan County Water Public Facilities Board's** internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

May 5, 2023

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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
South Logan County Water Public Facilities Board
Booneville, 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 the **South Logan County Water Public Facilities Board** (enterprise fund) as of and for the year ended **December 31, 2022**, and the related notes to the financial statements, which collectively comprise **South Logan County Water Public Facilities Board's** basic financial statements, and have issued our report thereon dated **May 5, 2023**.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies 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 questioned costs as item 2022-001 that we consider to be a material weakness.

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*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 **South Logan County Water Public Facilities 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 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*.

South Logan County Water Public Facilities Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **South Logan County Water Public Facilities Board's** response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. **South Logan County Water Public Facilities 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

May 5, 2023

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	ASSETS	
	2022	2021
CURRENT ASSETS		
Cash	\$ 202,062	\$ 171,963
Certificates of deposit	122,646	122,066
Trade accounts receivable, less allowance for doubtful accounts of \$3,649 and \$2,719 respectively	34,755	42,030
Inventory	<u>40,038</u>	<u>6,679</u>
Total Current Assets	<u>399,501</u>	<u>342,738</u>
CAPITAL ASSETS		
Construction in progress	4,548	4,548
Land	25,119	25,119
Utility plant	2,019,928	2,019,928
Phase II extension	1,203,544	1,203,544
Phase III extension	1,024,104	1,024,104
Buildings	114,646	89,646
Office furniture and equipment	<u>2,119</u>	<u>2,119</u>
	4,394,008	4,369,008
Less accumulated depreciation	<u>1,794,081</u>	<u>1,700,157</u>
Net Capital Assets	<u>2,599,927</u>	<u>2,668,851</u>
Total Assets	<u><u>\$ 2,999,428</u></u>	<u><u>\$ 3,011,589</u></u>
	LIABILITIES AND NET POSITION	
CURRENT LIABILITIES		
Accounts payable	\$ 22,926	\$ 21,593
Sales taxes payable	4,295	3,239
Accrued interest	3,635	1,669
Meter deposits payable	49,310	46,110
Current portion of long-term debt	<u>75,538</u>	<u>72,694</u>
Total Current Liabilities	155,704	145,305
LONG-TERM DEBT, net	<u>1,397,949</u>	<u>1,472,880</u>
Total Liabilities	<u>1,553,653</u>	<u>1,618,185</u>
NET POSITION		
Invested in capital assets, net of related debt	1,126,440	1,123,277
Restricted	193,902	184,766
Unrestricted	<u>125,433</u>	<u>85,361</u>
Total Net Position	<u>1,445,775</u>	<u>1,393,404</u>
Total Liabilities and Net Position	<u><u>\$ 2,999,428</u></u>	<u><u>\$ 3,011,589</u></u>

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

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Metered water sales, net of provision for bad debts	\$ 567,759	\$ 553,241
Connection charges	6,715	3,405
Late charges	7,543	7,582
Sampling fees	3,750	3,667
Other operating income	285	225
	<hr/>	<hr/>
Total Revenues	586,052	568,120
	<hr/>	<hr/>
OPERATING EXPENSES		
Water purchases	133,792	138,148
Maintenance and repair	37,836	50,819
Depreciation	93,924	93,349
Insurance	9,826	5,266
License, fees and permits	3,901	5,247
Mileage	12,725	13,845
Professional fees	5,524	8,646
Office expense	8,041	4,449
Telephone	5,978	5,161
Postage	4,059	2,584
Utilities	20,196	14,681
Salaries and wages	129,979	114,421
Payroll taxes	10,367	9,038
Other operating expenses	714	477
	<hr/>	<hr/>
Total Operating Expenses	476,862	466,131
	<hr/>	<hr/>
OPERATING INCOME	109,190	101,989
	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,222	888
Interest expense	(58,041)	(58,966)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(56,819)	(58,078)
	<hr/>	<hr/>
CHANGE IN NET POSITION	52,371	43,911
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR	1,393,404	1,349,493
	<hr/>	<hr/>
NET POSITION, END OF YEAR	<u>\$ 1,445,775</u>	<u>\$ 1,393,404</u>

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

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 593,327	\$ 567,452
Cash payments to suppliers for goods and services	(270,362)	(249,392)
Cash payments to employees for services	(140,346)	(123,459)
	<u>182,619</u>	<u>194,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net restricted checking and savings account activity	(580)	(548)
Interest income	1,222	888
	<u>642</u>	<u>340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to construction in progress	-	(4,548)
Addition of land and storage building	(25,000)	-
Repayment of long-term debt	(72,087)	(69,345)
Interest paid on long-term debt	(56,075)	(58,811)
	<u>(153,162)</u>	<u>(132,704)</u>
CHANGE IN CASH	30,099	62,237
CASH, BEGINNING OF YEAR	<u>171,963</u>	<u>109,726</u>
CASH, END OF YEAR	<u>\$ 202,062</u>	<u>\$ 171,963</u>

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

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES		
Operating income	<u>\$ 109,190</u>	<u>\$ 101,989</u>
Adjustments to reconcile operating income to net cash flows		
from operating activities:		
Depreciation	93,924	93,349
Change in:		
Accounts receivable	7,275	(668)
Inventory	(33,359)	(6,679)
Accounts payable	1,333	2,956
Sales tax payable	1,056	179
Meter deposits payable	<u>3,200</u>	<u>3,475</u>
 Total Adjustments	 <u>73,429</u>	 <u>92,612</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u><u>\$ 182,619</u></u>	 <u><u>\$ 194,601</u></u>
 SUPPLEMENTAL DISCLOSURE:		
Total interest paid in cash during the year	<u><u>\$ 56,075</u></u>	<u><u>\$ 58,811</u></u>

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

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1: Summary of Significant Accounting Policies

South Logan County Water Public Facilities Board (the Board) is a public facilities board created by the Quorum Court of Logan County under Ordinance No. 93-12 dated September 13, 1993 and is governed by the facilities board. The Board provides water services to the general public in outlying areas of Logan and Yell Counties in the State of 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.

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Accounts Receivable

The Board uses the valuation method as required by GAAP to value accounts receivable. The allowance for doubtful accounts represents management's estimate of uncollectible accounts receivable.

Inventories

Inventories consist of miscellaneous parts, accessories, and pipe and are stated at the lower of cost or net realizable value using the first-in, first-out method.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Board. Operating revenues consist primarily of water sales and fees for related services. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing type activities.

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.

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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.

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>
Buildings	10-40
Phase II & Phase III Extension	10-50
Office furniture & fixtures	7
Utility plant	50

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 December 31, 2022 and 2021 were \$93,942 and \$93,349, 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.

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Subsequent Events

Subsequent events are evaluated through May 5, 2023, 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 December 31, 2022, 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 and the trustee's and paying agent's fees and refunds of customer deposits. The restricted certificate of deposit is also used to make up the difference of meter deposit liabilities and certain reserves which are covenants of the Rural Development and CoBank loans. At December 31, 2022 and 2021, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

	<u>2022</u>	<u>2021</u>
Restricted Cash		
Construction	\$ 104	\$ 104
Money market meter deposit	13,037	12,970
Meter deposit	22,157	18,245
Money market short lived asset	35,958	31,381
Certificate of deposit	<u>122,646</u>	<u>122,066</u>
 Total	 <u><u>\$ 193,902</u></u>	 <u><u>\$ 184,766</u></u>

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 3: Capital Assets

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

	January 1, 2022	Additions	Retirements	December 31, 2022
Land	\$ 25,119	\$ -	\$ -	\$ 25,119
Utility plant	2,049,828	-	-	2,049,828
Phase II extension	1,203,544	-	-	1,203,544
Phase III extension	994,204	-	-	994,204
Office furniture and fixtures	2,119	-	-	2,119
Office building	89,646	25,000	-	114,646
Construction in progress	4,548	-	-	4,548
Total	<u>\$ 4,369,008</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 4,394,008</u>

	January 1, 2021	Additions	Retirements	December 31, 2021
Land	\$ 25,119	\$ -	\$ -	\$ 25,119
Utility plant	2,049,828	-	-	2,049,828
Phase II extension	1,203,544	-	-	1,203,544
Phase III extension	994,204	-	-	994,204
Office furniture and fixtures	2,119	-	-	2,119
Office building	89,646	-	-	89,646
Construction in progress	-	4,548	-	4,548
Total	<u>\$ 4,364,460</u>	<u>\$ 4,548</u>	<u>\$ -</u>	<u>\$ 4,369,008</u>

Note 4: Accounts Receivable

The Board has established a provision for estimated losses on accounts receivable based on prior bad debt experience and a review of existing accounts receivable. Based on these factors, there is a provision of doubtful accounts of \$3,649, and \$2,719 for the years ended December 31, 2022 and 2021, respectively.

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 5: Long-Term Debt

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
Rural Development 91-05 - payments are made monthly in the amount of \$2,270 and include interest of 2.750%. The note is secured by properties and equipment and project revenues and matures in year 2052. The original amount of the loan was \$641,000 and originated September 24, 2012.	\$ 552,075	\$ 563,956
CoBank 1 - payments are made annually in the amount on \$6,644 and include interest of 4.25%. The note is secured by properties and equipment in the Board and is scheduled to mature in year 2037. The original amount of the loan was \$1,066,251 and originated April 7, 2017.	850,532	892,554
CoBank 2 - payments are made annually in the amount on \$1,763 and include interest of 3.60%. The note is secured by properties and equipment in the Board and is scheduled to mature in year 2026. The original amount of the loan was \$165,666 and originated April 7, 2017.	<u>70,880</u>	<u>89,064</u>
Total	1,473,487	1,545,574
Less: current maturity of long-term debt	<u>75,538</u>	<u>72,694</u>
Total Long-Term Debt	<u>\$ 1,397,949</u>	<u>\$ 1,472,880</u>

Debt is scheduled to be repaid as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	75,538	52,596	128,134
2024	78,495	49,638	128,133
2025	81,571	46,563	128,134
2026	75,876	43,405	119,281
2027	66,295	40,677	106,972
2028-2032	373,665	161,196	534,861
2033-2037	393,536	80,388	473,924
2038-2042	97,465	38,735	136,200
2043-2047	111,814	24,386	136,200
2048-2052	119,232	7,955	127,187
Total	<u>\$ 1,473,487</u>	<u>\$ 545,539</u>	<u>\$ 2,019,026</u>

SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Activity of long-term debt consists of the following:

	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022
Rural Development 91-05	\$ 563,956	\$ -	\$ 11,881	\$ 552,075
CoBank 1	892,554	-	42,022	850,532
CoBank 2	89,064	-	18,184	70,880
Total	<u>\$ 1,545,574</u>	<u>\$ -</u>	<u>\$ 72,087</u>	<u>\$ 1,473,487</u>

	January 1, 2021	Debt Additions	Debt Retirements	December 31, 2021
Rural Development 91-05	\$ 575,515	\$ -	\$ 11,559	\$ 563,956
CoBank 1	932,807	-	40,253	892,554
CoBank 2	106,597	-	17,533	89,064
Total	<u>\$ 1,614,919</u>	<u>\$ -</u>	<u>\$ 69,345</u>	<u>\$ 1,545,574</u>

Note 6: 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 Booneville Water and Sewer Department and the Blue Mountain Water Department.

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.

Insurance coverage of the Board is as follows:

Property Damage and General Liability – Glatfelter Public Practice, Policy #GPNU-PF-0009202-000, expires April 1, 2023
Workers Compensation Insurance – First Comp, Policy #WC0157911-09, expires October 13, 2023
Surety Bond – C.N.A. Surety, expires October 15, 2023

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 8: Loan Reserves

The breakout below shows the balances required for each loan reserve as stipulated in each financing arrangement:

	<u>2022</u>	<u>2021</u>
Rural Development 91-05	\$ 27,240	\$ 25,197
CoBank 1	52,000	52,000
CoBank 2	<u>13,000</u>	<u>13,000</u>
 Total	 <u>\$ 92,240</u>	 <u>\$ 90,197</u>

The breakout below shows the balances in FDIC insured bank accounts that satisfy the loan reserves:

	<u>2022</u>	<u>2021</u>
Certificate of deposit	<u>\$ 122,646</u>	<u>\$ 122,066</u>
 Excess (deficit) of reserve requirements	 <u>\$ 30,406</u>	 <u>\$ 31,869</u>

The Board is in compliance with Rural Development and Cobank loan covenants and has a sufficient surplus to cover the meter deposit liabilities as of December 31, 2022 and 2021.

Note 9: Subsequent Events

Subsequent to year end, Arkansas Natural Resources Commission approved a water user expansion project in the Sugar Grove/Martin Loop region of the Board, known as Phase IV. The total grant funds requested amounted to approximately \$2.8 Million. ARNC approved the funds with a 25% project cost sharing contingency resulting in the grant totaling approximately \$2.1 Million. Additionally, the Board secured funding through First Western Bank for two work vehicles in the amount of \$25,399 and \$35,000, respectively, collateralized by a certificate of deposit.

SUPPLEMENTARY INFORMATION

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

2022-001, INTERNAL CONTROL

Criteria or specific requirement: Internal control is a process consisting of five interrelated components--control environment, risk assessment information and communication, control activities, and monitoring. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions, events and conditions consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the entity's ability to initiate, record, process, and report financial data in accordance with generally accepted accounting principles such that there was reasonable possibility that a material misstatement of the entity's financial statements would not be prevented or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, non payroll checks were prepared by the same employee responsible for adding new vendors. Payroll checks were prepared by the same employee responsible for adding new employees and making changes to the payroll amounts, without compensating controls. The entity had some compensating controls in place but further controls need to be established to fully address all the risks associated with the lack of segregation of duties.

Context: An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The entity's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard entity assets, were adversely affected by the identified weakness in the above internal control component.

Cause: Entity management, due to cost/benefit implications, which hindered the entity's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiencies in internal control.

Recommendation: Entity management should adopt sound accounting policies and establish and maintain internal controls that initiate, authorize, record, process, and report transactions that are consistent with management's assertions embodied in the financial statements and that will help safeguard entity assets.

Views of responsible officials and planned corrective actions: We concur with the recommendation and have implemented corrective procedures to the extent possible based on staff availability.

**SOUTH LOGAN COUNTY WATER PUBLIC FACILITIES BOARD
ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT
DECEMBER 31, 2022**

WATER RATE SCHEDULE

0 - 1,000 gallons used	\$19.06 - \$52.50
Next 4,000 gallons	\$6.47
Next 5,000 gallons	\$5.89
Remainder	\$5.31

BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>
Bill Garner	Chairman
Ron Ford	Secretary / Treasurer
Tony Bryson	Board Member
Gus Young	Board Member
Sam Tabler	Board Member

ACCOUNTING RECORDS AND CONTROL OVER PHYSICAL ASSETS

The Board's accounting records are in agreement with these financial statements.
The Board's control over physical assets is adequate.

MATERIAL OR UNUSUAL ADJUSTMENTS

The accounting records of the Board incurred no unusual adjustments. Material adjustments, however not unusual in nature, included adjusting for accounts receivable, long-term debt, depreciation and interest expense.