

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
OF CRAWFORD COUNTY, ARKANSAS
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Locke-Fern & Dollard Road Waterworks
Public Facilities Board of Crawford County, Arkansas
Mountainburg, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** (enterprise fund) as of and for the years then ended **December 31, 2022** and **2021**, and the related notes to the financial statements, which collectively comprise **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County Arkansas'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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** 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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas'** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, 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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas'** ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The Additional Comments Required by Rural Development, Summary of Auditor's Results, Schedule of Findings and Questioned Costs, and Schedule of Prior Year Findings are the responsibility of management and were derived from and related 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 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, Summary of Auditor's Results, Schedule of Findings and Questioned Costs, and Schedule of Prior Year Findings are fairly stated in all material 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 **August 11, 2023**, on our consideration of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas'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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas's** internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

**Hubbs & Whitehead, CPAs
Van Buren, Arkansas**

August 11, 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
Locke-Fern & Dollard Road Waterworks
Public Facilities Board of Crawford County, Arkansas
Mountainburg, 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 enterprise fund of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** (enterprise fund) as of and for the year ended **December 31, 2022**, and the related notes to the financial statements, which collectively comprise **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas's** basic financial statements and have issued our report thereon dated **August 11, 2023**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas's** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the 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 over financial reporting 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 may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas'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*.

Purpose of this Report

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

Hubbs & Whitehead, CPAs

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

August 11, 2023

LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

| ASSETS | | | |
|---|--|----------------------------|----------------------------|
| | | 2022 | 2021 |
| CURRENT ASSETS | | | |
| Cash | | \$ 71,171 | \$ 68,445 |
| Certificates of deposit | | 141,199 | 139,918 |
| Accounts receivable (less allowance for doubtful accounts of \$20,520 and \$19,307 respectively) | | <u>49,130</u> | <u>42,189</u> |
| Total Current Assets | | <u>261,500</u> | <u>250,552</u> |
| PROPERTY AND EQUIPMENT | | | |
| Land | | 9,349 | 9,349 |
| Distribution system | | 4,368,545 | 4,368,545 |
| Equipment | | 12,688 | 6,314 |
| Office equipment | | 8,969 | 7,485 |
| Office building | | <u>43,723</u> | <u>43,723</u> |
| | | 4,443,274 | 4,435,416 |
| Less: accumulated depreciation | | <u>(1,975,706)</u> | <u>(1,864,769)</u> |
| Total Property and Equipment | | <u>2,467,568</u> | <u>2,570,647</u> |
| NONCURRENT ASSETS | | | |
| Restricted cash | | 51,810 | 48,522 |
| Restricted certificates of deposit | | <u>133,070</u> | <u>131,863</u> |
| Total Noncurrent Assets | | <u>184,880</u> | <u>180,385</u> |
| Total Assets | | <u><u>\$ 2,913,948</u></u> | <u><u>\$ 3,001,584</u></u> |

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

LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021
LIABILITIES AND NET POSITION

| | 2022 | 2021 |
|---|--------------------------------|--------------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 11,526 | \$ 7,721 |
| Sales taxes payable | 1,918 | 1,706 |
| Accrued interest | 3,385 | 3,571 |
| Current portion of long-term debt | <u>54,844</u> | <u>52,513</u> |
| Total Current Liabilities | <u>71,673</u> | <u>65,511</u> |
| NONCURRENT LIABILITIES | | |
| Customer deposits | 75,785 | 72,237 |
| Long-term debt | <u>1,294,793</u> | <u>1,349,639</u> |
| Total Noncurrent Liabilities | <u>1,370,578</u> | <u>1,421,876</u> |
| Total Liabilities | <u>1,442,251</u> | <u>1,487,387</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 1,117,931 | 1,168,495 |
| Restricted | 184,880 | 180,385 |
| Unrestricted | <u>168,886</u> | <u>165,317</u> |
| Total Net Position | <u>1,471,697</u> | <u>1,514,197</u> |
| Total Liabilities and Net Position | <u><u>\$ 2,913,948</u></u> | <u><u>\$ 3,001,584</u></u> |

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

LOCKE-FERN & DOLLARD ROAD WATERWORKS
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 refunds | \$ 348,679 | \$ 328,349 |
| Late charges | 13,840 | 13,010 |
| Other services and income | <u>2,571</u> | <u>2,519</u> |
| Total Operating Revenues | <u>365,090</u> | <u>343,878</u> |
| OPERATING EXPENSES | | |
| Bank charges | - | 500 |
| Depreciation | 110,937 | 110,410 |
| Insurance | 9,966 | 8,645 |
| Licenses, dues and subscriptions | 4,348 | 3,308 |
| Miscellaneous | - | 739 |
| Payroll tax | 2,665 | 1,991 |
| Postage | 3,224 | 2,982 |
| Professional fees | 5,800 | 5,650 |
| Repairs and maintenance | 25,422 | 24,545 |
| Supplies | 3,692 | 4,879 |
| Telephone and utilities | 20,322 | 18,289 |
| Travel and entertainment | 3,196 | 2,495 |
| Wages | 34,051 | 24,919 |
| Water purchases | <u>127,016</u> | <u>113,317</u> |
| Total Operating Expenses | <u>350,639</u> | <u>322,669</u> |
| OPERATING INCOME | <u>14,451</u> | <u>21,209</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 2,570 | 2,383 |
| Interest expense | <u>(59,521)</u> | <u>(60,340)</u> |
| Total Non-Operating Revenues (Expenses) | <u>(56,951)</u> | <u>(57,957)</u> |
| CHANGE IN NET POSITION | <u>(42,500)</u> | <u>(36,748)</u> |
| NET POSITION, BEGINNING OF YEAR | <u>1,514,197</u> | <u>1,550,945</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 1,471,697</u></u> | <u><u>\$ 1,514,197</u></u> |

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
STATEMENTS CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 358,149 | \$ 341,368 |
| Cash payments to suppliers for goods and services | (198,086) | (183,510) |
| Cash payments to employees for services | <u>(34,051)</u> | <u>(24,919)</u> |
| Net Cash Flows From Operating Activities | <u>126,012</u> | <u>132,939</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | <u>2,570</u> | <u>2,383</u> |
| Net Cash Flows From Investing Activities | <u>2,570</u> | <u>2,383</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (7,858) | - |
| Principal paid on long-term debt | (52,515) | (50,286) |
| Interest paid on long-term debt | <u>(59,707)</u> | <u>(61,935)</u> |
| Net Cash Flows From Capital and Related Financing Activities | <u>(120,080)</u> | <u>(112,221)</u> |
| CHANGE IN CASH AND EQUIVALENTS | 8,502 | 23,101 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | <u>388,748</u> | <u>365,647</u> |
| CASH AND EQUIVALENTS, END OF YEAR | <u><u>\$ 397,250</u></u> | <u><u>\$ 388,748</u></u> |
| CASH AND EQUIVALENTS | \$ 212,370 | \$ 208,363 |
| RESTRICTED CASH AND EQUIVALENTS | <u>184,880</u> | <u>180,385</u> |
| TOTAL CASH AND EQUIVALENTS | <u><u>\$ 397,250</u></u> | <u><u>\$ 388,748</u></u> |

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
STATEMENTS 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>\$ 14,451</u> | <u>\$ 21,209</u> |
| Adjustments to reconcile operating income to net cash flows | | |
| from operating activities | | |
| Depreciation | 110,937 | 110,410 |
| Changes in: | | |
| Accounts receivable | (6,941) | (2,511) |
| Accounts payable | 3,805 | 466 |
| Customer deposits | 3,548 | 3,600 |
| Sales tax payable | <u>212</u> | <u>(235)</u> |
| Total adjustments | <u>111,561</u> | <u>111,730</u> |
| Net Cash Flows From Operating Activities | <u><u>\$ 126,012</u></u> | <u><u>\$ 132,939</u></u> |

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 1: Summary of Significant Accounting Policies

Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas (the Board) is a public facilities board created by the Quorum Court of Crawford County under Ordinance No. 97-15 dated July 14, 1997 and is governed by the facilities board. The Board provides water services to the general public in outlying areas of Crawford and Franklin 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 financial statements of the Board have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources management focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

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.

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.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
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.

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.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 equipment | 5 |
| Distribution system and additions | 40 |
| Office building | 40 |

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Use of 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. 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.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Subsequent Events

Subsequent events are evaluated through August 11, 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 several 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 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, paying the principal and interest on the bonds, and the trustee's and paying agent's fees and refunds of customer deposits. At December 31, 2022 and 2021, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Restricted Cash | | |
| Meter deposit | \$ 21,288 | \$ 18,030 |
| Bond reserve | 10,237 | 10,230 |
| Depreciation fund | 20,208 | 20,185 |
| Regions bond fund | <u>77</u> | <u>77</u> |
| Total | <u>\$ 51,810</u> | <u>\$ 48,522</u> |
| Restricted Certificates of Deposit | | |
| Bond reserve | \$ 73,299 | \$ 72,634 |
| Meter deposit | <u>59,771</u> | <u>59,229</u> |
| Total | <u>\$ 133,070</u> | <u>\$ 131,863</u> |

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 3: Property and Equipment

Property and equipment activity for the years ended December 31, 2022 and 2021 are as follows:

| | January 1, 2022 | Additions & Contributions | Retirements | December 31, 2022 |
|--------------------------------|---------------------|------------------------------|-------------|----------------------|
| Land | \$ 9,349 | \$ - | \$ - | \$ 9,349 |
| Distribution system | 4,368,545 | - | - | 4,368,545 |
| Equipment | 6,314 | 6,374 | - | 12,688 |
| Office equipment | 7,485 | 1,484 | - | 8,969 |
| Office building | 43,723 | - | - | 43,723 |
| | 4,435,416 | 7,858 | - | 4,443,274 |
| Less: accumulated depreciation | (1,864,769) | (110,937) | - | (1,975,706) |
| Property and equipment, net | <u>\$ 2,570,647</u> | <u>\$ (103,079)</u> | <u>\$ -</u> | <u>\$ 2,467,568</u> |

| | January 1, 2021 | Additions & Contributions | Retirements | December 31, 2021 |
|--------------------------------|---------------------|------------------------------|-------------|----------------------|
| Land | \$ 9,349 | \$ - | \$ - | \$ 9,349 |
| Distribution system | 4,368,545 | - | - | 4,368,545 |
| Equipment | 6,314 | - | - | 6,314 |
| Office equipment | 7,485 | - | - | 7,485 |
| Office building | 43,723 | - | - | 43,723 |
| | 4,435,416 | - | - | 4,435,416 |
| Less: accumulated depreciation | (1,754,359) | (110,410) | - | (1,864,769) |
| Property and equipment, net | <u>\$ 2,681,057</u> | <u>\$ (110,410)</u> | <u>\$ -</u> | <u>\$ 2,570,647</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 \$20,507, and \$19,307 for the years ended December 31, 2022 and 2021, respectively.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Note 5: Long-Term Debt

Long-term debt consists of the following:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Rural Development (91-01) - issued May 16, 2003, in the original amount of \$879,000. Payments are made monthly in the amount of \$4,035 and include interest of 4.5%. The loan is secured by revenues and property of the Board. | \$ 642,008 | \$ 661,071 |
| Rural Development (91-06) - issued May 12, 2004, in the original amount of \$384,700. Payments are made monthly in the amount of \$1,735 and include interest of 4.375%. The loan is secured by revenues and property of the Board. | 287,774 | 295,812 |
| Rural Development (91-03) - issued October 6, 2009, in the original amount of \$206,000. Payments are made monthly in the amount of \$701 and include interest of 2.5%. The loan is secured by revenues and property of the Board. | 164,034 | 168,287 |
| Arkansas Natural Resources Commission (ANRC) - issued June 1, 2017 in the original amount of \$30,900. Annual payments of \$3,576 including interest of 2.75% are scheduled to begin June 1, 2018. The loan is secured by revenues and property of the Board. | 16,499 | 19,538 |
| Arkansas Natural Resources Commission - Deferred loan - issued May 28, 2003 in the original amount of \$386,250. Annual payments of \$30,994 including interest of 5.0% are scheduled to begin December 1, 2013. The loan is secured by revenues and property of the Board. | <u>239,322</u> | <u>257,444</u> |
| | 1,349,637 | 1,402,152 |
| Less: current portion | <u>(54,844)</u> | <u>(52,513)</u> |
| Long-term debt | <u>\$ 1,294,793</u> | <u>\$ 1,349,639</u> |

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Long-term debt is scheduled to be repaid as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2023 | \$ 54,844 | \$ 57,378 | \$ 112,222 |
| 2024 | 57,282 | 54,938 | 112,220 |
| 2025 | 59,832 | 52,390 | 112,222 |
| 2026 | 62,499 | 49,723 | 112,222 |
| 2027 | 65,293 | 46,935 | 112,228 |
| 2028-2032 | 354,060 | 189,165 | 543,225 |
| 2033-2037 | 271,711 | 116,549 | 388,260 |
| 2038-2042 | 336,077 | 52,183 | 388,260 |
| 2043-2047 | 73,520 | 5,086 | 78,606 |
| 2048-2049 | 14,519 | 338 | 14,857 |
| Total | <u>\$ 1,349,637</u> | <u>\$ 624,685</u> | <u>\$ 1,974,322</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 entered a water purchase contract with Highway 71 Water Users on March 28, 2003. This contract is for 40 years with the rate charge for water to be at the rate the City of Fort Smith, Arkansas charges plus a 12% up charge to the Highway 71 Water Users Association, currently at a rate of \$3.06 per 1,000 gallons.

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.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
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 the financing arrangements:

| | |
|-------------------------|----------------------|
| Rural Development 91-01 | \$ 46,460 |
| Rural Development 91-06 | 17,922 |
| Rural Development 91-03 | <u>5,040</u> |
| Total | <u><u>69,422</u></u> |

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

| | |
|--------------------------------------|-------------------------|
| Bond Reserve, savings | \$ 10,237 |
| Certificate of deposit, bond reserve | 73,299 |
| Regions bond fund | <u>77</u> |
| Total | <u><u>\$ 83,613</u></u> |

ANRC requires a depreciation reserve equal to three percent of the systems gross revenues until the reserve amount exceeds \$50,000. The fund shall be maintained and is for the replacement of the project and shall not be used for any other purpose without prior written approval. As of December 31, 2022, the board had \$20,208 in a depreciation checking account and \$32,332 in a depreciation certificate of deposit. The Board currently has an overage in this obligation by \$2,540.

SUPPLEMENTARY INFORMATION

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT
YEAR ENDED DECEMBER 31, 2022**

WATER RATE SCHEDULE

Crawford Co.

| | |
|-------------------|--------------------------|
| 0 - 1,000 gallons | \$27.40 |
| Remainder | \$8.50 per 1,000 gallons |

Franklin Co.

| | |
|-------------------|--------------------------|
| 0 - 1,000 gallons | \$27.40 |
| Remainder | \$8.50 per 1,000 gallons |

BOARD OF DIRECTORS

| <u>Name</u> | <u>Title</u> |
|---------------|--------------|
| Bill Coleman | Chairman |
| Keith Gray | Secretary |
| Jess Baker | Treasurer |
| Mike Reeves | Director |
| Richard Mirus | Director |

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas**.
2. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States
3. There were no findings of significant deficiencies or material weaknesses.
4. No instances of noncompliance material to the financial statements of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** required to be reported in accordance with *Government Auditing Standards* are disclosed in the audit.
5. All funds deposited are in institutions insured by the Federal Government (FDIC) or fully collateralized.
6. Additional information necessary for full disclosure is included in the audit report dated **August 11, 2023** and the audited financial statements of the **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** for the year ended **December 31, 2022**.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFOR COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SECTION I – Internal Control over Financial Reporting

No findings in current year audit.

SECTION II – Internal Control over Financial Reporting - Financial Statements

No findings in current year audit.

SECTION III – Compliance and Other Matters

No findings in current year audit.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFOR COUNTY, ARKANSAS
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2022**

SECTION I – Internal Control over Financial Reporting

No findings in prior year audit.

SECTION II – Internal Control over Financial Reporting - Financial Statements

No findings in prior year audit.

SECTION III – Compliance and Other Matters

No findings in prior year audit.