

LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD
OF CRAWFORD COUNTY, ARKANSAS
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



Hubbs & Whitehead, CPAs

Certified Public Accountants

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165

handwcpas.com

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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	8
Statements of Cash Flows	9
Notes to the Financial Statements	11
SUPPLEMENTARY INFORMATION	
Additional Comment Required by Rural Development.....	19
SUMMARY OF AUDITOR’S RESULTS	20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21
SCHEDULE OF PRIOR YEAR FINDINGS	22

Cliff Hubbs, CPA
Kenny Whitehead, CPA
Justin Anthony, CPA

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165
handwcpas.com

Hubbs & Whitehead, CPAs
Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** (the Board) as of and for the years then ended **December 31, 2023 and 2022**, 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 **December 31, 2023 and 2022**, and the respective 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 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, 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 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 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.

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 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 **October 4, 2024**, 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 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.

Hubbs & Whitehead, CPAs

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

October 4, 2024

Cliff Hubbs, CPA
Kenny Whitehead, CPA
Justin Anthony, CPA

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165
handwcpas.com

Hubbs & Whitehead, CPAs
Certified Public Accountants



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 **Locke-Fern & Dollard Road Waterworks Public Facilities Board of Crawford County, Arkansas** (the Board) as of and for the year ended **December 31, 2023**, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated **October 4, 2024**.

Report on 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 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.

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 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.

Handwritten signature in black ink that reads "Hubbs & Whitehead, CPAs". The signature is written in a cursive, flowing style.

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

October 4, 2024

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	ASSETS	2023	2022
CURRENT ASSETS			
Cash		\$ 57,630	\$ 71,171
Certificates of deposit		145,957	141,199
Accounts receivable (less allowance for doubtful accounts of \$26,549 and \$20,520, respectively)		<u>55,663</u>	<u>49,130</u>
Total Current Assets		<u>259,250</u>	<u>261,500</u>
PROPERTY AND EQUIPMENT			
Land		9,349	9,349
Distribution system		4,368,545	4,368,545
Equipment		20,020	12,688
Office equipment		8,969	8,969
Office building		<u>43,723</u>	<u>43,723</u>
		4,450,606	4,443,274
Less: accumulated depreciation		<u>(2,088,684)</u>	<u>(1,975,706)</u>
Total Property and Equipment		<u>2,361,922</u>	<u>2,467,568</u>
NONCURRENT ASSETS			
Restricted cash		55,007	51,810
Restricted certificates of deposit		<u>137,552</u>	<u>133,070</u>
Total Noncurrent Assets		<u>192,559</u>	<u>184,880</u>
Total Assets		<u><u>\$ 2,813,731</u></u>	<u><u>\$ 2,913,948</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
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022
LIABILITIES AND NET POSITION**

	2023	2022
CURRENT LIABILITIES		
Accounts payable	\$ 11,240	\$ 11,526
Sales taxes payable	1,869	1,918
Accrued interest	3,191	3,385
Current portion of long-term debt	<u>57,282</u>	<u>54,844</u>
Total Current Liabilities	<u>73,582</u>	<u>71,673</u>
 NONCURRENT LIABILITIES		
Customer deposits	78,560	75,785
Long-term debt, net	<u>1,237,507</u>	<u>1,294,793</u>
Total Noncurrent Liabilities	<u>1,316,067</u>	<u>1,370,578</u>
 Total Liabilities	<u>1,389,649</u>	<u>1,442,251</u>
 NET POSITION		
Invested in capital assets, net of related debt	1,067,133	1,117,931
Restricted	192,559	184,880
Unrestricted	<u>164,390</u>	<u>168,886</u>
Total Net Position	<u>1,424,082</u>	<u>1,471,697</u>
 Total Liabilities and Net Position	<u>\$ 2,813,731</u>	<u>\$ 2,913,948</u>

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Metered water sales, net of refunds	\$ 352,441	\$ 348,679
Late charges	15,970	13,840
Other services and income	2,643	2,571
	<u>371,054</u>	<u>365,090</u>
Total Operating Revenues	<u>371,054</u>	<u>365,090</u>
OPERATING EXPENSES		
Bank charges	500	-
Depreciation	112,978	110,937
Insurance	10,999	9,966
Licenses, dues and subscriptions	4,190	4,348
Miscellaneous	214	-
Payroll tax	3,492	2,665
Postage	4,389	3,224
Professional fees	5,900	5,800
Repairs and maintenance	23,098	25,422
Supplies	6,827	3,692
Telephone and utilities	22,088	20,322
Travel and entertainment	1,161	3,196
Wages	44,903	34,051
Water purchases	130,197	127,016
	<u>370,936</u>	<u>350,639</u>
Total Operating Expenses	<u>370,936</u>	<u>350,639</u>
OPERATING INCOME	<u>118</u>	<u>14,451</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	9,448	2,570
Interest expense	(57,181)	(59,521)
	<u>(47,733)</u>	<u>(56,951)</u>
Total Non-Operating Revenues (Expenses)	<u>(47,733)</u>	<u>(56,951)</u>
CHANGE IN NET POSITION	<u>(47,615)</u>	<u>(42,500)</u>
NET POSITION, BEGINNING OF YEAR	<u>1,471,697</u>	<u>1,514,197</u>
NET POSITION, END OF YEAR	<u>\$ 1,424,082</u>	<u>\$ 1,471,697</u>

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 364,521	\$ 365,090
Cash payments to suppliers for goods and services	(210,615)	(205,027)
Cash payments to employees for services	<u>(44,903)</u>	<u>(34,051)</u>
Net Cash Flows From Operating Activities	<u>109,003</u>	<u>126,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,448	2,570
Net change in certificates of deposit	<u>(9,240)</u>	<u>(2,488)</u>
Net Cash Flows From Investing Activities	<u>208</u>	<u>82</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(7,332)	(7,858)
Principal paid on long-term debt	(54,848)	(52,515)
Interest paid on long-term debt	<u>(57,375)</u>	<u>(59,707)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(119,555)</u>	<u>(120,080)</u>
CHANGE IN CASH	(10,344)	6,014
CASH, BEGINNING OF YEAR	<u>122,981</u>	<u>116,967</u>
CASH, END OF YEAR	<u>\$ 112,637</u>	<u>\$ 122,981</u>
CASH	\$ 57,630	\$ 71,171
RESTRICTED CASH	<u>55,007</u>	<u>51,810</u>
TOTAL CASH	<u>\$ 112,637</u>	<u>\$ 122,981</u>

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

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
STATEMENTS CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 118	\$ 14,451
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	112,978	110,937
Changes in:		
Accounts receivable	(6,533)	(6,941)
Accounts payable	(286)	3,805
Customer deposits	2,775	3,548
Sales tax payable	(49)	212
 Total adjustments	 <u>108,885</u>	 <u>111,561</u>
 Net Cash Flows From Operating Activities	 <u>\$ 109,003</u>	 <u>\$ 126,012</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, 2023 AND 2022**

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 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.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 December 31, 2023 and 2022.

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, 2023 AND 2022**

Capital Assets and Depreciation

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

	<u>Years</u>
Office 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, 2023 AND 2022**

Subsequent Events

Subsequent events are evaluated through October 4, 2024, the date the financial statements were available to be issued.

Note 2: Deposits and Restricted Cash

The Board maintains its operating bank accounts in 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, 2023, all of the Board's deposits were insured or collateralized.

Restricted cash and cash equivalents and restricted certificates of deposit are restricted by the various ordinances of the Board, and laws. Expenditures from these accounts are restricted to improvements and betterments to the utility plant, 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, 2023 and 2022, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

	2023	2022
Restricted Cash		
Meter deposit	\$ 24,344	\$ 21,288
Bond reserve	10,262	10,237
Depreciation fund	20,258	20,208
Regions bond fund	143	77
	<u> </u>	<u> </u>
Total	<u>\$ 55,007</u>	<u>\$ 51,810</u>
Restricted Certificates of Deposit		
Bond reserve	\$ 75,768	\$ 73,299
Meter deposit	61,784	59,771
	<u> </u>	<u> </u>
Total	<u>\$ 137,552</u>	<u>\$ 133,070</u>

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 3: Property and Equipment

Property and equipment activity for the years ended December 31, 2023 and 2022 are as follows:

	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023
Land	\$ 9,349	\$ -	\$ -	\$ 9,349
Distribution system	4,368,545	-	-	4,368,545
Equipment	12,688	7,332	-	20,020
Office equipment	8,969	-	-	8,969
Office building	43,723	-	-	43,723
	<u>4,443,274</u>	<u>7,332</u>	<u>-</u>	<u>4,450,606</u>
Less: accumulated depreciation	<u>(1,975,706)</u>	<u>(112,978)</u>	<u>-</u>	<u>(2,088,684)</u>
Property and equipment, net	<u>\$ 2,467,568</u>	<u>\$ (105,646)</u>	<u>\$ -</u>	<u>\$ 2,361,922</u>

	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
	<u>4,435,416</u>	<u>7,858</u>	<u>-</u>	<u>4,443,274</u>
Less: accumulated depreciation	<u>(1,864,769)</u>	<u>(110,937)</u>	<u>-</u>	<u>(1,975,706)</u>
Property and equipment, net	<u>\$ 2,570,647</u>	<u>\$ (103,079)</u>	<u>\$ -</u>	<u>\$ 2,467,568</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 \$26,549, and \$20,507 for the years ended December 31, 2023 and 2022, respectively.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 5: Long-Term Debt

Long-term debt consists of the following:

	2023	2022
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.	\$ 622,069	\$ 642,008
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.	279,376	287,774
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.	159,672	164,034
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.	13,377	16,499
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>220,295</u>	<u>239,322</u>
	1,294,789	1,349,637
Less: current portion	<u>(57,282)</u>	<u>(54,844)</u>
Long-term debt	<u>\$ 1,237,507</u>	<u>\$ 1,294,793</u>

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	64,628	44,018	108,646
2029-2033	339,265	172,965	512,230
2034-2038	283,493	104,767	388,260
2039-2043	305,754	38,082	343,836
2044-2048	42,225	3,151	45,376
2049	14,518	338	14,856
Total	<u>\$ 1,294,789</u>	<u>\$ 567,307</u>	<u>\$ 1,862,096</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, 2023 AND 2022**

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>\$ 69,422</u>

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

Bond Reserve, savings	\$ 10,262
Certificate of deposit, bond reserve	75,768
Regions bond fund	<u>143</u>
 Total	 <u>\$ 86,173</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, 2023, the board had \$20,258 in a depreciation checking account and \$33,423 in a depreciation certificate of deposit. The Board currently has an overage in this obligation by \$3,681.

SUPPLEMENTARY INFORMATION

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT
YEAR ENDED DECEMBER 31, 2023
WATER RATE SCHEDULE**

Crawford Co.	
0 - 1,000 gallons	\$30.00
Remainder	\$10.00 per 1,000 gallons
Franklin Co.	
0 - 1,000 gallons	\$30.00
Remainder	\$10.00 per 1,000 gallons

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Bill Coleman	Chairman
Jess Baker	Treasurer
Dennis Shepherd	Director
Richard Mirus	Vice-Chairman

See Independent Auditor's Report.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED DECEMBER 31, 2023**

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** (the Board).
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 the Board required to be reported in accordance with *Government Auditing Standards* are disclosed in the audit.
5. All funds deposited are insured by the Federal Government (FDIC) or fully collateralized.
6. Additional information necessary for full disclosure is included in the audit report dated **October 4, 2024** and the audited financial statements of the Board for the year ended **December 31, 2023**.

**LOCKE-FERN & DOLLARD ROAD WATERWORKS
PUBLIC FACILITIES BOARD OF CRAWFORD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

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 CRAWFORD COUNTY, ARKANSAS
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2023**

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.