

**MADISON COUNTY WATER
FACILITIES BOARD
AUDITED FINANCIAL STATEMENTS
NOVEMBER 30, 2021 AND 2020**



MADISON COUNTY WATER FACILITIES BOARD
NOVEMBER 30, 2021 AND 2020

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Independent Auditors' Report

To the Board of Directors
Madison County Water Facilities Board
Huntsville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Madison County Water Facilities (The Board), as of and for the year ended November 30, 2021 and 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility 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 fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison County Water Facilities Board, as of November 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the 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 financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information for cost-sharing employer pension plans on pages 35-36 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Madison County Water Facilities Board's basic financial statements. The general entity information as prepared by management and the required disclosure per trust indenture on pages 4-7 and 37, respectively is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022, on our consideration of the Madison County Water Facilities Boards' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison County Water Facilities Boards' 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 Madison County Water Facilities Board's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
April 5, 2022

GENERAL ENTITY INFORMATION AS PREPARED BY MANAGEMENT

GENERAL ENTITY INFORMATION AS PREPARED BY MANAGEMENT

Our discussion and analysis of the Madison County Water Facilities Board's financial performance provides an overview of the financial activities for the year ending November 30, 2021. Please read it in conjunction with the auditor's report.

The Madison County Water Association was organized and began operating in 1973. Funding was obtained for USDA-Farmers Home Administration loans and grants. Water service was started with one deep well that served approximately 500 customers in the Forum, Alabam, Hartwell, and Hindsville areas. When it became apparent that the well could not meet the demands of the growing system, the Association became a wholesale customer of the Madison County Water District in the early 1990's. The well was abandoned and later sold. The system then expanded into the Bohannon Mountain, Drakes Creek, Georgetown areas in the mid 1990's and again expanded in the Clifty area in the late 90's. The Mayfield extension was completed in 2005 and the first phase of the expansion into the Aurora-Witter area added 134 customers. The Venus Mountain and Marble-Kingston Extensions were completed in 2009, adding an additional 500 customers, bringing the total customers to 4,300 in 2021. The third and final phase of extensions into the southern-most parts of Madison County received some good news in 2014 with grant money received to extend water to approximately 40 additional customers in the Witter area. In 2001, the Association changed the organization to the Madison County Water Facilities Board in order to fund future projects from other sources than just government loans and grants.

The Facilities Board is considered a special purpose governmental agency due to the fact that the Facilities Board was appointed by the County Judge and the Quorum Court, but conducts business-like activities completely separate from the County government. The Association and the Facilities Board have always had an independent audit at the end of each fiscal year. This is a requirement of USDA-Rural Development.

The Facilities Board's primary source of revenue is sale of water, residential and wholesale. Along with the 4,300 residential customers on service, the Facilities Board sells wholesale water to Mount Olive Water Association and Scenic Highway 12 Water Association.

Wholesale water sales for 2021 and 2020 totaled \$421,506 and \$357,766 respectively. These wholesale customers amount to approximately 13% of the revenue each year.

The Facilities Board has four rate structures for individual customers. A rate increase was adopted on October 11, 2016, and became effective on January 1, 2017. Rate #1 is as follows:

First 1,000 Gallons	30.50
Next 4,000 Gallons	5.65/1,000 gallons
Next 5,000 Gallons	5.05/1,000 gallons
Next 5,000 Gallons	4.05/1,000 gallons
Over 15,000 Gallons	3.05/1,000 gallons

Rate #2 was established for the Mayfield Extension and is as follows:

First 1,000 Gallons	35.75
Next 4,000 Gallons	5.65/1,000 gallons
Next 5,000 Gallons	5.05/1,000 gallons
Next 5,000 Gallons	4.05/1,000 gallons
Over 15,000 Gallons	3.05/1,000 gallons

Rate #3 was established for the Witter-Aurora Extension and is used for the Venus Mountain Extension and is as follows:

First 1,000 Gallons	44.75
Next 4,000 Gallons	5.65/1,000 gallons
Next 5,000 Gallons	5.05/1,000 gallons
Next 5,000 Gallons	4.05/1,000 gallons
Over 15,000 Gallons	3.05/1,000 gallons

Rate #4 has been established for the new Marble-Kingston Extension and is as follows:

First 1,000 Gallons	42.25
Next 4,000 Gallons	5.65/1,000 gallons
Next 5,000 Gallons	5.05/1,000 gallons
Next 5,000 Gallons	4.05/1,000 gallons
Over 15,000 Gallons	3.05/1,000 gallons

Residential water sales for 2021 and 2020 were \$2,972,431 and \$2,836,768 respectively.

Other sources of income include late charges, plumbing inspections, sale of materials and sale of dirt, backhoe work, and reconnect fees. Two bulk water salesmen have been installed at Aurora and Kingston for residents that must haul water to their homes. These amounts totaled \$76,590 and \$78,991 for 2021 and 2020, respectively.

The Facilities Board operates on an accrual basis of accounting. All revenues are deposited into a general account and transferred into various accounts as necessary. All monies for payroll and bill paying are paid from the Operation and Maintenance account. The following is a listing of the accounts maintained by the Board:

	<u>2021</u>	<u>2020</u>
Revenue	\$479,229	\$471,017
O & M	31,993	53,289
Reserve	100,836	96,788
Cash Investments (CD)	218,124	218,124
Deferred Accounts (remaining funds)	182,042	181,981
Depreciation Reserve Account	703,212	628,291

The Facilities Board does not operate by a strict budgetary code, but does submit a proposed budget to Rural Development prior to the beginning of each new fiscal year according to requirements in their loan documents.

The water plant in service at the end of November 30, 2021, totaled \$31,154,716 versus \$30,977,037 at November 30, 2020.

The office building and land owned by the Facilities Board was valued at \$224,608 at November 30, 2021 and 2020. Office equipment and maintenance equipment was valued at \$307,441 and \$319,944 at November 30, 2021 and 2020, respectively.

Reserve accounts and the Certificate of Deposit are set up so that all reserve requirements are currently met. The monthly payment is \$7,620 to Rural Development and the payment for the Bonds is \$69,725 per month.

NEXT YEAR'S PROJECTIONS BY MANAGEMENT

The rate increase of 2017 has continued to help with cash flow and two trucks were replaced in 2021. It is hoped to keep replacing vehicles on a regular basis. Repairs on the older part of the system occur more frequently as the system ages. The rate increase to the two wholesale customers in 2021 has brought those bills to offset the increases passed on by the Water District.

As the pandemic slowed, the office re-opened to the public in 2021. The online payment system implemented in 2020 has continued to be very successful and well used by customers.

Due to availability of materials, the Tank and Pump Station Rehabilitation Project has been delayed and is hoped to begin in 2022. The loan is anticipated to close in 2022 as well. The relocation project in Witter for Highway 127 began in 2021 and will likely be completed in early 2022. This project was funded in big part by the Arkansas Highway Transportation Department. The AHTD is contemplating another relocation project on Highway 74 West and plans are expected in 2022 to see what water lines will need to be relocated.

The mapping system has been worked on during 2021 and looks to be completed in 2022. This will be a major improvement for service crews to located lines for other utilities and should help in leak repairs as well.

This financial report is designed to provide our Board, customers and the general public with an overview of our finances. If you have questions about this report, please contact the water office at 27271 Highway 23 in Huntsville, Arkansas, or call 479.738.2214.

Sincerely yours,

PATTI CLINE

Patti Cline
Office Manger

RODNEY REYNOLDS

Rodney Reynolds
Manager

FINANCIAL STATEMENTS

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 511,406	\$ 525,455
Restricted checking and savings accounts	986,391	873,610
Restricted certificate of deposit	218,124	218,124
Restricted investments	472,244	7,814,377
Accounts receivable, net of allowance for doubtful accounts	306,126	288,855
Inventory	152,716	130,939
Prepaid insurance	70,059	62,537
Total Current Assets	2,717,066	9,913,897
Capital Assets		
Land	60,000	60,000
Buildings	164,608	164,608
Distribution system	31,154,716	30,977,037
Equipment and tools	209,620	197,116
Transportation equipment	427,916	380,409
Office furniture and equipment	110,325	110,325
Construction in progress	148,821	-
Total	32,276,006	31,889,495
Accumulated depreciation	(13,397,824)	(12,671,365)
Net Capital Assets	18,878,182	19,218,130
Total Assets	21,595,248	29,132,027
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	375,772	369,474
Deferred outflows related to pension	236,294	292,828
Total Deferred Outflows of Resources	612,066	662,302
Total Assets and Deferred Outflows of Resources	\$ 22,207,314	\$ 29,794,329

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2021	2020
Liabilities and Net Position		
Current Liabilities		
Trade accounts payable	278,162	190,149
Sales tax payable	7,749	6,252
Payroll taxes and withholdings payable	4,866	6,962
Accrued payroll	3,781	1,958
Accrued compensated absences	6,978	9,091
Accrued interest	308,834	315,573
Meter deposits payable	462,550	455,740
Current portion of capital lease obligation	9,034	-
Current maturity of long-term debt	577,830	7,783,679
Total Current Liabilities	1,659,784	8,769,404
Noncurrent Liabilities		
Capital lease obligation	32,076	-
Long-term debt, net of unamortized bond premium and discount	11,964,440	12,509,026
Net pension liability	668,383	581,079
Total Noncurrent Liabilities	12,664,899	13,090,105
Total Liabilities	14,324,683	21,859,509
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	24,972	27,615
Total Deferred Inflows of Resources	24,972	27,615
Net Position		
Net investment in capital assets	6,670,574	6,640,407
Restricted	1,175,456	1,063,442
Unrestricted	11,629	203,356
Total Net Position	7,857,659	7,907,205
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,207,314	\$ 29,794,329

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED NOVEMBER 30,	2021	2020
Operating Revenue		
Water sales, net of bad debts	\$ 2,962,167	\$ 2,947,897
Wholesale water sales	421,506	357,766
Tap fees	124,727	1,100
Late charges	36,880	37,268
Other services	77,610	64,473
Total Operating Revenue	3,622,890	3,408,504
Operating Expenses		
Water purchases	1,104,080	951,731
Salaries and wages	503,492	476,008
Employee benefits	384,152	389,158
Payroll taxes	38,128	38,621
System repairs and maintenance	51,768	51,533
Bank, credit card and trustee fees	74,441	71,597
Utilities	3,286	6,403
Telephone	19,018	16,615
Vehicles expenses	65,599	36,076
Insurance	66,700	58,798
Uniforms	16,721	16,078
Permits, fees, and dues	23,196	22,800
Meetings and travel	2,122	-
Professional services	20,762	17,011
Office supplies	61,091	75,179
Equipment rental	-	447
Miscellaneous	463	-
Depreciation	816,459	828,738
Total Operating Expenses	3,251,478	3,056,793
Net Income From Operations	371,412	351,711
Other Income (Expenses)		
Interest income	12,957	12,232
FEMA assistance	59,423	49,168
Grants	-	113,496
Gain on sale of assets	52,002	-
Bond issuance fees	-	(206,300)
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(545,340)	(586,444)
Total Net Other Income (Expenses)	(420,958)	(617,848)
Change in Net Position	(49,546)	(266,137)
Net Position, Beginning of Year	7,907,205	8,173,342
Net Position, End of Year	\$ 7,857,659	\$ 7,907,205

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2021	2020
Cash Flows From Operating Activities		
Cash receipts from customers and other sources	\$ 3,613,926	\$ 3,418,042
Cash payments to suppliers for goods and services	(1,731,618)	(1,573,463)
Cash payments to employees for services	(505,878)	(464,999)
Net Cash Provided By Operating Activities	1,376,430	1,379,580
Cash Flows From Noncapital and Related Financing Activities		
FEMA assistance	59,423	49,168
Capital grant proceeds	-	113,496
Net Cash Provided By Noncapital and Related Financing Activities	59,423	162,664
Cash Flows From Capital and Related Financing Activities		
Purchases of fixed assets	(429,004)	(358,692)
Proceeds from sale of fixed assets	52,002	-
Bond proceeds, less issuance costs	-	8,008,700
Principal paid on debt	(7,791,577)	(1,345,502)
Interest paid on debt	(523,632)	(476,546)
Net Cash Provided (Used) By Capital and Related Financing Activities	(8,692,211)	5,827,960
Cash Flows From Investing Activities		
Interest income	12,957	12,232
Investments held for debt refunding	7,226,886	(7,226,886)
Net change in restricted debt service investments	115,247	59,336
Net Cash Provided (Used) By Investing Activities	7,355,090	(7,155,318)
Net Increase In Cash, Cash Equivalents and Restricted Cash	98,732	214,886
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,399,065	1,184,179
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 1,497,797	\$ 1,399,065
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 511,406	\$ 525,455
Restricted checking and savings accounts	986,391	873,610
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,497,797	\$ 1,399,065

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2021	2020
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 371,412	\$ 351,711
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	816,459	828,738
(Increase) decrease in:		
Accounts receivable	(17,271)	8,304
Inventory	(21,777)	(20,616)
Prepaid insurance	(7,522)	(3,955)
Deferred outflows related to pension	56,534	120,784
Increase (decrease) in:		
Trade accounts payable	88,013	50,899
Sales tax payable	1,497	(12,507)
Payroll taxes and withholdings payable	(2,096)	5,729
Accrued payroll	1,823	1,958
Accrued compensated absences	(2,113)	3,322
Customer meter deposits	6,810	13,741
Net pension liability	87,304	55,205
Deferred inflows related to pension	(2,643)	(23,733)
Net Cash Provided By Operating Activities	\$ 1,376,430	\$ 1,379,580
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Cost of acquisition and construction of capital assets	\$ 476,511	\$ 358,692
Acquired with capital lease	(47,507)	-
Cash used for acquisition and construction of capital assets	\$ 429,004	\$ 358,692

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

Nature of Operations

The Madison County Water Facilities Board (the Board) was established in accordance with Act 142 of the Acts of Arkansas of 1975, and pursuant to an order of the Quorum Court of Madison County, May 21, 2001. The Board is a successor to the Madison County Water Association, Inc. All assets and liabilities of the Madison County Water Association Inc., were transferred intact to the Board.

The Board is administered by a Board of Directors comprised of citizens of Madison County appointed by the Madison County Quorum Court. The purpose of the Board is to own, acquire, construct, extend, reconstruct, equip, improve, maintain, sell, lease, contract concerning or otherwise deal in or dispose of waterworks facilities or any interest in such facilities, including, without limitations to provide financing for such facilities.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

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

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

b. Financial Reporting

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

c. Income Taxes

The Board is a political subdivision of the State of Arkansas and is exempt from income taxes.

d. Cash Equivalents

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

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

e. Investments

Investments are presented at fair value. Restricted investments consist of a certificate of deposit and U.S. Government securities designated to service bond payments

f. Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information and was \$11,847 at both November 30, 2021 and 2020.

g. Inventories

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment. The amount recorded in these financial statements is estimated at cost, which approximates market, using the first-in, first-out method or market.

h. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

i. Capital Outlays And Depreciation

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

	Years
Buildings	40
Distribution system	5-40
Equipment and tools	5-10
Transportation equipment	5-7
Office furniture and equipment	3-7

The Board does not have a minimum threshold policy for capitalizing capital assets.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

j. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The Board also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board recognizes deferred inflows of resources related to pensions.

k. Customer Meter Deposits

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

l. Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Board. Vacation must be taken during the year earned or it is lost. Employees can accumulate a maximum of 30 unused earned sick workdays. Upon termination from the Board, employees are paid their accumulated unused vacation. Employees that retire with a minimum of ten years of employment may receive payment for accumulated unused sick leave. At November 30, 2021 and 2020, the Board had \$6,978 and \$9,091 accrued for compensated absences.

m. Net Position

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

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

m. Net Position (continued)

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

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

n. Operating Revenues and Expenses

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

o. 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.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

2. Deposits and Investments

Deposits

The District follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be recovered. At November 30, 2021 and 2020, the Board had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the Board's name as collateral at November 30, 2021 and 2020. The bank balances and carrying amount of the Board's deposits held were as follows:

Description	At November 30, 2021		At November 30, 2020	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 352,779	\$ 352,757	\$ 347,777	\$ 347,754
Collateralized - held by pledging bank or pledging bank's trust department in the Board's name	1,165,669	1,144,857	1,083,628	1,051,128
Cash on hand	-	183	-	183
Total	\$ 1,518,448	\$ 1,497,797	\$ 1,431,405	\$ 1,399,065

Deposits as reported in the following statement of net position captions:

As Of November 30,	2021	2020
Cash and cash equivalents	\$ 511,406	\$ 525,455
Restricted checking and savings accounts	986,391	873,610
Total	\$ 1,497,797	\$ 1,399,065

Investments

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

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

2. Deposits and Investments (continued)

Investments

State statutes authorize the Board to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the Board to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state or the District of Columbia.

Investments consist of accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost.

As of November 30, 2021	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Funds</u>			
Bank of the Ozarks RNT DDA Institutional Bearing Business	\$ 91,226	N/A	N/A
Fidelity Investments Money Market - Treasury Only Portfolio	381,018	52 days	AAA
Certificate of deposit	218,124	485 days	N/A
Total	\$ 690,368		

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

2. Deposits and Investments (continued)

As of November 30, 2020	Market	Weighted Avg. Maturity	Credit Rating
2020 Series A Water Revenue Refunding Bonds	\$ 7,345,505	N/A	AAA
<u>Bond Funds</u>			
Bank of the Ozarks RNT DDA Institutional Money Market	88,149	N/A	N/A
Fidelity Investments Money Market - Treasury Only Portfolio	380,723	48 days	AAA
Certificate of deposit	218,124	850 days	N/A
Total	\$ 8,032,501		

Investments as reported in the following statement of net position captions:

As Of November 30,	2021	2020
Restricted certificates of deposit	\$ 218,124	\$ 218,124
Restricted investments	472,244	7,814,377
Total	\$ 690,368	\$ 8,032,501

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Board limits its exposure to interest rate risk by maximizing its yield on reserve funds not needed within a three year period.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Board's investments at November 30, 2021 are either FDIC insured or issued and guaranteed by the U.S. government.

Custodial Credit Risk

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

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

2. Deposits and Investments (continued)

Fair Value Measurement

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

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

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

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at November 30, 2021:

	Level 1	Level 2	Level 3	Total
Bank of the Ozarks RNT DDA				
Institutional Bearing Business	\$ 91,226	\$ -	\$ -	\$ 91,226
Fidelity Investments Money Market -				
Treasury Only Portfolio	381,018	-	-	381,018
Certificate of deposit	218,124	-	-	218,124
Total	\$ 690,368	\$ -	\$ -	\$ 690,368

3. Restricted Accounts

Restricted cash and cash equivalents, restricted certificates of deposit and restricted investments are restricted by the various board ordinances of the Board, and laws. Expenditures from these accounts are restricted to improvements and betterments to the distribution system, paying the principal and interest on the bonds, and the trustee's and paying agent's fees and refunds of customer deposits. At November 30, 2021 and 2020, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

As of November 30,	2021	2020
Restricted checking and savings:		
Reserve Fund	\$ 100,837	\$ 96,789
Depreciation Reserve	703,212	594,570
Hindsville 12" Deferred	82,880	82,838
Alabam 12" Deferred	99,162	99,113
Tank/Pump Station Rehab	300	300
Total restricted checking and savings	\$ 986,391	\$ 873,610

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

3. Restricted Accounts (continued)

As of November 30,	2021	2020
Restricted certificate of deposit:		
Reserve Fund	\$ 218,124	\$ 218,124
Total restricted certificate of deposit	\$ 218,124	\$ 218,124
Restricted investments		
2020 Water Revenue Refunding Bonds escrow	\$ -	\$ 7,345,505
2020 Water Refunding Bonds - Series A, Bond Fund	264,631	263,915
2015 Water Revenue Refunding Bonds, Bond Fund	91,226	88,149
2013 Construction Bonds, Bond Fund	87,139	87,135
2020 Water Refunding Bonds - Series B, Bond Fund	29,248	29,673
Total restricted investments	\$ 472,244	\$ 7,814,377

The proceeds of the Arkansas Water Revenue Refunding Bond, Series 2020A, dated April 30, 2020, were in an escrow account to refund the Series 2014 Water Revenue Refunding Bonds on December 1, 2020. See Long-Term Debt footnote for further detail.

4. Capital Assets

Activity of capital assets consists of the following:

As Of	December 1, 2020	Additions	Retirements	November 30, 2021
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Buildings	164,608	-	-	164,608
Distribution System	30,977,037	177,679	-	31,154,716
Equipment and tools	197,116	102,504	90,000	209,620
Transportation equipment	380,409	47,507	-	427,916
Office furniture and equipment	110,325	-	-	110,325
Construction in progress	-	148,821	-	148,821
Total capital assets	31,889,495	476,511	90,000	32,276,006
Less accumulated depreciation	12,671,365	816,459	90,000	13,397,824
Capital assets, net	\$ 19,218,130	\$ (339,948)	\$ -	\$ 18,878,182

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

4. Capital Assets (continued)

As Of	December 1, 2019	Additions	Retirements	November 30, 2020
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Buildings	164,608	-	-	164,608
Distribution System	30,653,189	323,848	-	30,977,037
Equipment and tools	197,116	-	-	197,116
Transportation equipment	380,409	-	-	380,409
Office furniture and equipment	75,481	34,844	-	110,325
Total capital assets	31,530,803	358,692	-	31,889,495
Less accumulated depreciation	11,842,627	828,738	-	12,671,365
Capital assets, net	\$ 19,688,176	\$ (470,046)	\$ -	\$ 19,218,130

Construction in progress of \$148,821 at November 30, 2021 is for a water main relocation at Highway 29 and a refurbishment project on certain tanks and pumps. The water main relocation project was completed subsequent to year-end at a total cost of approximately \$325,000. The costs incurred on the refurbishment project are preliminary professional fees incurred. See Note 16 for more information.

5. Capital Lease Obligations

The Board entered into a new capital lease during the year for the purchase of two 2021 Dodge Ram pick-up trucks. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of their related lease term or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the year ended November 30, 2021.

The following is a summary of equipment held under capital leases:

As of November 30,	2021	2020
2021 Dodge Ram pick-up trucks	\$ 47,507	\$ -
Less: accumulated amortization	(1,584)	-
Net Book Value	\$ 45,923	\$ -

The interest rate on the capital lease is 4.0%

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

5. Capital Lease Obligations (continued)

Minimum future lease payments under capital leases are as follows:

For the Years Ended November 30,		
2022	\$	10,514
2023		10,514
2024		10,514
2025		10,514
2024		2,724
Total capital lease obligation		44,780
Less interest element		3,670
		41,110
Less current portion		9,034
Long-term capital lease obligation	\$	32,076

6. Long-Term Debt

On April 30, 2020, the Board issued \$7,425,000 Water Revenue Refunding Bonds Series 2020A to refund the 2014 Series Water Revenue Refunding Bonds that have an outstanding balance of \$7,535,000 at November 30, 2020. The proceeds from the issuance of the 2020A Series bonds of \$7,345,505 are included in restricted investments on the Statement of Net Position at November 30, 2020 and were used to defease the 2014 Series Water Revenue Bonds on December 1, 2020.

On April 30, 2020, the Board issued \$790,000 Water Revenue Refunding Bonds Series 2020B to refund the 2009 Series A and B Construction and 2016 Series Construction Bonds. The bonds, which had a total outstanding principal balance of \$752,182, were defeased on June 1, 2020.

The Board anticipates generating cash savings of approximately \$815,068 due to the bond refundings.

Long-term debt of the Board consists of:

As Of November 30,	2021	2020
4.25% mortgage note #0091-16, dated August 24, 2010, payable in monthly installments of \$7,620, inclusive of interest, through November 2039.	\$ 1,418,723	\$ 1,449,169
ANRC Series 2013 4.0% Series A and 5.0% Series B Construction Bonds totaling \$1,648,000:		
Series A is payable in semi-annual payments of \$84,905 commencing in December 2014.	1,261,418	1,294,541

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

6. Long-Term Debt (continued)

As Of November 30,	2021	2020
Bank of the Ozarks Series 2014 Water Revenue Refunding Bond totaling \$8,845,000 were issued in November 2014, with an effective date of December 1, 2014. The funds were used to retire the 2006 Series ANRC Bond, USDA note 0091-14, and a \$4,914,554 of the Series 2010 Bond. Bond interest is paid semi-annually on June 1 and December 1. These bonds bear interest between 1.00% and 4.00%.	-	7,225,000
Bank of the Ozarks Series 2015 Water Revenue Refunding Bond totaling \$2,445,000 were issued in November 2015. The funds were used to retire the 2010 Series Construction Bonds issued March 2011, fund a debt service reserve fund and to fund certain costs associated with the issuance of bonds. Bond interest is paid semi-annually on June 1 and December 1. These bonds bear interest between 1.25% and 4.00%	1,975,000	2,060,000
Water and Revenue Refunding Bonds, dated April 30, 2020 Series 2020A - in the amount of \$7,425,000, will be used to retire the Series 2014 Refunding Revenue bonds. Principal and interest payments, at 2.57%, are due annually on June 1, with with final maturity June 2039. The bonds are secured by revenues.	7,090,000	7,425,000
Series 2020B - in the amount of \$790,000, will be used to retire the ANRC 2009 Series A & B Construction Bonds and the ANRC 2016 Series Construction Bonds. Principal and interest payments, at 1.9%, are due annually on June 1, with final maturity June 2036. The bonds are secured by revenues	710,000	755,000
Arvest Bank note dated August 20, 2018 in the amount of \$44,765 for the purchase of two 2018 Chevrolet Silverados. The note is payable in monthly installments of \$848 including interest at 4.99% with final maturity September 2023.	17,736	26,028
Arvest Bank note dated November 26, 2018 in the amount of \$25,690 for the purchase of a 2018 Chevrolet Silverado. The note is payable in monthly installments of \$492, beginning January 19, 2019, including interest at 5.45% with final maturity December 2023.	11,564	16,256

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

6. Long-Term Debt (continued)

As Of November 30,	2021	2020
Arvest Bank note #2185576 dated June 18, 2019 in the amount of \$29,700 for the purchase of a 2019 Chevy Silverado. The note is payable in monthly installments of \$558 including interest at 4.68% with final maturity July 2024.	16,731	22,019
Arvest Bank note #2199955 dated August 20, 2019 in the amount of \$54,034 for the purchase of a 2006 Mack Truck. The note is payable in monthly installments of \$1,238 including interest at 4.625% with final maturity August 2023.	24,856	38,195
Total	12,526,028	20,311,208
Less current maturities	(577,830)	(7,783,679)
Long-term debt	11,948,198	12,527,529
Plus unamortized bond premium	16,242	17,145
Less unamortized bond discount	-	(35,648)
Long-Term Debt	\$ 11,964,440	\$ 12,509,026

Debt is scheduled to mature as follows:

November 30,	Bonds		Loans	
	Principal	Interest	Principal	Interest
2022	\$ 514,448	\$ 319,379	\$ 63,382	\$ 62,791
2023	525,826	305,861	64,664	59,689
2024	542,259	291,558	41,884	57,857
2025	558,750	276,785	35,921	55,519
2026	575,300	261,618	37,841	53,599
2027-2031	3,137,008	1,060,446	213,274	243,926
2032-2036	3,261,189	585,449	263,770	193,430
2037-2041	1,686,025	160,829	326,224	130,976
2042-2046	235,613	19,102	403,460	53,740
2047-2048	-	-	39,190	1,482
Total	\$ 11,036,418	\$ 3,281,027	\$ 1,489,610	\$ 913,009

Each of the District's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; assessing additional interest, penalties and other charges; pursue any remedy by law to enforce payment of principal and interest.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

7. Changes in Long-Term Liabilities

Changes in long-term liabilities consists of the following:

As Of	December 1, 2020	Additions	Retirements	November 30, 2021	Due Within One Year
USDA RD	\$ 1,449,169	\$ -	\$ 30,446	\$ 1,418,723	\$ 31,621
Bond Series 2014	7,225,000	-	7,225,000	-	-
Bond Series 2015	2,060,000	-	85,000	1,975,000	90,000
Bond Series 2020A	7,425,000	-	335,000	7,090,000	345,000
Bond Series 2020B	755,000	-	45,000	710,000	45,000
ANRC 2013 A&B	1,294,541	-	33,123	1,261,418	34,448
Arvest:					
08/20/18 note	26,028	-	8,292	17,736	9,465
11/26/18 note	16,256	-	4,692	11,564	5,343
07/20/19 note	38,195	-	13,339	24,856	10,909
06/18/20 note	22,019	-	5,288	16,731	6,044
Capital lease	-	47,507	6,397	41,110	9,034
Net pension liability	581,079	87,304	-	668,383	-
Total	\$ 20,892,287	\$ 134,811	\$ 7,791,577	\$ 13,235,521	\$ 586,864

As Of	December 1, 2019	Additions	Retirements	November 30, 2020	Due Within One Year
USDA RD	\$ 1,478,350	\$ -	\$ 29,181	\$ 1,449,169	\$ 30,306
Bond Series 2014	7,535,000	-	310,000	7,225,000	7,225,000
Bond Series 2015	2,145,000	-	85,000	2,060,000	85,000
Bond Series 2020A	-	7,425,000	-	7,425,000	335,000
Bond Series 2020B	-	790,000	35,000	755,000	45,000
ANRC 2009 A&B	560,083	-	560,083	-	-
ANRC 2009 A&B	53,681	-	53,681	-	-
ANRC 2013 A&B	1,326,390	-	31,849	1,294,541	33,123
ANRC 2016	207,227	-	207,227	-	-
Arvest:					
08/20/18 note	35,364	-	9,336	26,028	9,005
11/26/18 note	21,516	-	5,260	16,256	5,060
07/20/19 note	51,618	-	13,423	38,195	10,417
06/18/20 note	27,481	-	5,462	22,019	5,768
Net pension liability	525,874	55,205	-	581,079	-
Total	\$ 13,967,584	\$ 8,270,205	\$ 1,345,502	\$ 20,892,287	\$ 7,783,679

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

8. Commitments and Contingencies

The Trust Indenture of the 2014, 2015 and 2020 Series Bonds contains a provision (the Rate Covenant) which requires the Board to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 110% of the debt service requirements for the current fiscal year of all outstanding Bonds and Parity obligations and to meet various other general requirements. For the years ended November 30, 2021 and 2020, the Board had satisfied all the covenants of the Bond Trust Indenture.

9. Bond Issuance Discount and Premium / Defeasance of Debt

The reoffering premium incurred in connection with the 2015 Water Revenue Refunding Bonds is being amortized over 24 years. Amortization of the bond premium was \$902 for both years ended November 30, 2021 and 2020, and is net with interest expense in the Statement of Activities. The bond discount costs incurred in connection with the issuance of the 2014 Water Revenue Refunding Bonds were being amortized over 25 years until the bonds were called on December 1, 2020. Amortization of the bond discount totaled \$156 and \$1,876 for the years ended November 30, 2021 and 2020, respectively, and is included with interest and fees on long-term debt in the Statement of Activities. The unamortized portion is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$375,772 and \$369,474 at November 30, 2021 and 2020, respectively, is shown as deferred outflows on the statement of net assets and is amortized over the life of the old or new debt, whichever is shorter, which ranges from 19 to 24 years. Amortization of the deferred loss totaled \$29,195 and \$28,708 for the years ended November 30, 2021 and 2020, respectively, and is included in interest and fees on long-term debt in the statement of activities.

10. Arkansas Public Employees Retirement System

Plan Description

The Board participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

10. Arkansas Public Employees Retirement System (continued)

Plan Description

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- ☐ at age 65 with 5 years of service,
- ☐ at any age with 28 years actual service,
- ☐ at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- ☐ at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

10. Arkansas Public Employees Retirement System (continued)

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the APERS fiscal years ended June 30, 2020 and 2019, respectively. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Board were \$76,354 and \$69,082 for the years ended November 30, 2021 and 2020, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the Board's proportionate share as of June 30, 2020 was 0.02334077%.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2019 and the Board's report ending date of November 30, 2021, that would have had a significant impact on the net pension liability.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

10. Arkansas Public Employees Retirement System (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

<u>Asset</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
	<u>100%</u>	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		<u>7.43%</u>

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

10. Arkansas Public Employees Retirement System (continued)

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2020 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 2.45% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	1,017,996	\$ 668,383	\$ 379,872

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

10. Arkansas Public Employees Retirement System (continued)

Pension Expense, Accrued APERS and Deferred Outflows/Inflows of Resources Related to Pensions

The Board's proportionate share of pension expense was \$217,548 as of the measurement date of June 30, 2020. At November 30, 2021, the Board had an accrued APERS liability of \$1,875 for the Board's legally required contribution. At November 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,873	\$ 443
Changes in assumptions	8,374	11,452
Net difference between projected and actual earnings on pension plan investments	70,723	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,433	13,077
Board contributions subsequent to the measurement date	104,891	-
Total	\$ 236,294	\$ 24,972

\$104,891 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended November 30, 2022, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended November 30,	Net Increase in Pension Expense
2022	\$ 43,241
2023	17,706
2024	24,751
2025	20,733
	\$ 106,431

11. FEMA and Grant Revenue

The Board received \$59,423 from FEMA during the year ended November 30, 2021 for relocation of a water line at Cobb Creek. The project will be completed once all necessary parts and materials are secured.

The Board received \$49,167 and \$113,495 from FEMA and the USDA, respectively, during the year ended November 30, 2020 to repair damage due to flooding. The USDA matched 75% of the Board's cost to repair a water line that had been washed out. The total repair cost \$150,185 of which the Board paid \$36,690 and the USDA paid \$113,495.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

12. Concentrations of Credit Risks

a. Revenues & Receivables

The Board is engaged in operating a water system in Madison County, Arkansas. Although the Board has a diverse customer base, a portion of its customer's ability to honor their water bills is dependent upon the economy of the surrounding area.

Wholesale water sales represented 12.50% and 11.20% of total water sales for the years ending November 30, 2021 and 2020, respectively.

b. Water Supply System

The Board purchases its water from the Madison County Regional Water District. If the cost of the water were to increase or the possibility of the Board to have to obtain water from another supplier was to occur, this may have an effect on the Board's ability to continue in its current state.

13. 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 property and liability insurance as well as workers' compensation insurance through EMC Insurance Companies.

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

14. Employee Benefits

The Board pays health insurance premiums for employees as a benefit. Employees may elect to include their families, however, the employee pays the additional premiums. Health insurance benefit costs for the years ending November 30, 2021 and 2020 were respectively \$166,602 and \$167,820.

In July, 2016, the Board began participating in the Arkansas Public Employees Retirement System. See Note 11 for further description of this plan.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2021 AND 2020

15. COVID-19

The Coronavirus Disease 2019 (COVID-19), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. In connection with the outbreak, governments and organizations have imposed containment and mitigation efforts involving quarantines, social distancing and limits on public gatherings. The office has remained open throughout the pandemic to continue servicing customers, but for safety reasons was closed to the public for a few months. To provide relief to customers, the Board delayed shut-offs for many months, but has been fortunate that most customers have not had any issues. Rising material prices and global supply chain delays have been an issue in securing necessary parts and supplies for projects. The District will continue to monitor its operations, liquidity, and capital resources to minimize the current and future impact of this unprecedented situation.

16. Subsequent Events

The Board has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended November 30, 2021 through April 5, 2022, the date the financial statements were available to be issued. Subsequent to yeat-end, the Board issued bonds totaling \$1.3 million for upgrading 4 pump stations and repainting 5 tanks. The bonds will be repaid over a period of twenty years at an interest rate plus servicing fee at 1.75%. The project is scheduled to commence in July if all materials can be obtained and will take approximately one year to complete.

REQUIRED SUPPLEMENTAL INFORMATION

MADISON COUNTY WATER FACILITIES BOARD

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED NOVEMBER 30, 2021

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios Last Fiscal Year

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Board's proportion of the net pension liability	0.02334077%	0.02408589%	0.02383904%	0.02329936%
Board's proportionate share of the net pension liability	\$ 668,383	\$ 581,079	\$ 525,874	\$ 602,088
Board's covered-employee payroll	\$ 455,420	\$ 460,918	\$ 446,525	\$ 419,925
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.76%	126.07%	117.77%	143.38%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%

Schedule of Required Contributions Last Fiscal Year

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 69,770	\$ 70,613	\$ 65,863	\$ 60,889
Contributions in relation to the contractually required contribution	\$ (69,770)	\$ (70,613)	\$ (65,863)	\$ (60,889)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	455,420	460,918	446,525	419,925
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	14.75%	14.50%

See independent auditor's report.

MADISON COUNTY WATER FACILITIES BOARD

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED NOVEMBER 30, 2021

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.
2. Changes in benefits: None
3. Changes in actuarial assumptions:

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Single Discount Rate	7.15%	7.15%	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%
Municipal Bond Rate	2.45%	3.13%	3.62%	3.56%
Source: 20-Bond GO Index				
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%
Mortality Table	Based on RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

MADISON COUNTY WATER FACILITIES BOARD

REQUIRED ANNUAL DISCLOSURE PER TRUST INDENTURE

FOR THE YEAR ENDED NOVEMBER 30, 2021

Number of residential customers - 4,018

Number of agricultural customers - 286

Top 10 customers and percentage of revenue from each:

1. Van Siang - 1% or less
2. Randy Riley - 1% or less
3. Steve Obenshain - 1% or less
4. 303 Farms - 1% or less
5. Chad Obenshain - 1% or less
6. Cord Riley - 1% or less
7. Phuong Van Nguyen - 1% or less
8. Witt Farms - 1% or less
9. Bryan Reynolds - 1% or less
10. Jeff Kositski - 1% or less

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



Independent Auditors' 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
Madison County Water Facilities Board
Huntsville, 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 Madison County Water Facilities Board, as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise the Madison County Water Facilities Board's basic financial statements, and have issued our report thereon dated April 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County Water Facilities Boards' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison County Water Facilities Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County Water 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 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.

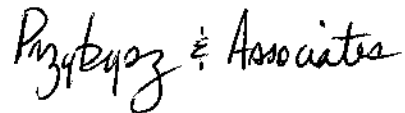
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County Water Facilities Boards' financial statement are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
April 5, 2022