MADISON COUNTY WATER FACILITIES BOARD

AUDITED FINANCIAL STATEMENTS

NOVEMBER 30, 2023 AND 2022

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MADISON COUNTY WATER FACILITIES BOARD
NOVEMBER 30, 2023 AND 2022

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PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Madison County Water Facilities Board, as of and for the years ended November 30, 2023 and 2022, and the related notes to the 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 financial position of Madison County Water Facilities Board as of November 30, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on 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 Madison County Water Facilities Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County Water Facilities Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information on cost-sharing pension plans on pages 35 and 36 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 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

Management is responsible for the other information included in the financial statements. The other information comprises the general entity information as prepared by management and the required disclosure per trust indenture on pages 4-7 and 37, respectively, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of Madison County Water Facilities Board's 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 Madison County Water Facilities Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County Water Facilities Board's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
June 20, 2024

GENERAL ENTITY INFORMATION AS PREPARED BY MANAGEMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. 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 Bohannan 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 4,494 in 2023. 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 4,494 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 2023 and 2022 totaled $574,296 and $530,762 respectively. These wholesale customers amount to approximately 14% of the revenue each year.

The Facilities Board has four rate structures for individual customers. A rate increase was adopted on August 8, 2023, and became effective on October 01, 2023. Rate #1 is as follows:

First 1,000 Gallons	44.75
Next 4,000 Gallons	6.85/1,000 gallons
Next 5,000 Gallons	6.25/1,000 gallons
Next 5,000 Gallons	5.25/1,000 gallons
Over 15,000 Gallons	4.25/1,000 gallons

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

First 1,000 Gallons	44.75
Next 4,000 Gallons	6.85/1,000 gallons
Next 5,000 Gallons	6.25/1,000 gallons
Next 5,000 Gallons	5.25/1,000 gallons
Over 15,000 Gallons	4.25/1,000 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	6.85/1,000 gallons
Next 5,000 Gallons	6.25/1,000 gallons
Next 5,000 Gallons	5.25/1,000 gallons
Over 15,000 Gallons	4.25/1,000 gallons

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

First 1,000 Gallons	44.75
Next 4,000 Gallons	6.85/1,000 gallons
Next 5,000 Gallons	6.25/1,000 gallons
Next 5,000 Gallons	5.25/1,000 gallons
Over 15,000 Gallons	4.25/1,000 gallons

Residential water sales for 2023 and 2022 were $3,358,805 and $3,075,885 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 $87,594 and $92,749 for 2023 and 2022, 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:

	2023	2022
Revenue	$475,985	$678,330
O & M	67,497	39,623
Reserve	107,710	102,433
Cash Investments (CD)	218,124	218,124
Deferred Accounts (remaining funds)	187,699	182,372
Depreciation Reserve Account	1,015,858	816,929

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, 2023 and 2022, totaled $31,539,363. The office building and land owned by the Facilities Board was valued at $224,608 at 2023 and 2022. Office equipment and maintenance equipment was valued at $336,091 in 2023 and $319,945 in 2022.

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 $69,882 per month.

NEXT YEAR'S PROJECTIONS BY MANAGEMENT

The Facilities Board has had a rate increase due to the District raising the rates on our current system. The Facilities Board has been fortunate that the rate increase in 2023 has continued to produce the needed cash flow to keep expenses paid and allow for replacing trucks and equipment on a regular basis.

Leaks continue to plague the system as the pipes in the ground are over 50 years in places. Repairs are necessary on almost a weekly basis. This keeps the construction portion of the employees busy along with new service connections.

Due to availability of materials and weather the Tank and Pump Station Rehabilitation Project is still in process throughout the 2023 year. It looks to be finished in the next 2024 year. Due to low pressure in some areas some tanks have to be done at certain times of the year. So, we don't risk certain residents to be without

Bids and easements were obtained in the process for the relocation project for the Highway 74 West Bridge. Work currently is still set to be done at the end of 2024 year to possibly even into 2025.

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,

BALEIGH BURNETT	***RODNEY REYNOLDS***
Baleigh Burnett Office Manger	Rodney Reynolds Manager

FINANCIAL STATEMENTS

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 579,415	$ 747,844
Restricted checking and savings accounts	1,275,334	1,072,408
Restricted certificate of deposit	218,124	218,124
Restricted investments	487,206	460,452
Accounts receivable, net of allowance for doubtful accounts	426,114	308,894
Inventory	181,346	251,801
Prepaid insurance	350	350
Total Current Assets	3,167,889	3,059,873
Capital Assets		
Land	60,000	60,000
Buildings	164,608	164,608
Distribution system	31,539,363	31,539,363
Equipment and tools	225,765	209,620
Transportation equipment	483,800	427,916
Office furniture and equipment	110,325	110,325
Construction in progress	938,435	704,918
Total	33,522,296	33,216,750
Accumulated depreciation	(15,003,025)	(14,231,562)
Net Capital Assets	18,519,271	18,985,188
Total Assets	21,687,160	22,045,061
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	318,601	347,186
Deferred outflows related to pension	240,866	193,288
Total Deferred Outflows of Resources	559,467	540,474
Total Assets and Deferred Outflows of Resources	$ 22,246,627	$ 22,585,535

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2023	2022
Liabilities and Net Position		
Current Liabilities		
Trade accounts payable	$ 150,345	$ 140,666
Sales tax payable	16,187	8,991
Payroll taxes and withholdings payable	698	4,235
Accrued payroll	7,448	5,833
Accrued compensated absences	29,595	28,126
Unearned revenue	10,385	31,170
Accrued interest	170,541	178,369
Meter deposits payable	477,058	473,223
Current maturity of long-term debt	666,677	655,327
Total Current Liabilities	1,528,934	1,525,940
Noncurrent Liabilities		
Long-term debt, net of unamortized bond premium	11,726,582	12,037,817
Net pension liability	750,869	642,234
Total Noncurrent Liabilities	12,477,451	12,680,051
Total Liabilities	14,006,385	14,205,991
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	6,328	15,353
Total Deferred Inflows of Resources	6,328	15,353
Net Position		
Net investment in capital assets	6,445,156	6,639,610
Restricted	1,503,064	1,277,382
Unrestricted	285,694	447,199
Total Net Position	8,233,914	8,364,191
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 22,246,627	$ 22,585,535

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,	2023	2022
Operating Revenue		
Water sales, net of bad debts	$ 3,358,805	$ 3,075,885
Wholesale water sales	574,296	530,762
Tap fees	116,180	155,017
Late charges	35,336	40,500
Other services	89,588	67,766
Total Operating Revenue	4,174,205	3,869,930
Operating Expenses		
Water purchases	1,382,119	1,078,649
Salaries and wages	587,735	542,068
Employee benefits	336,829	220,864
Payroll taxes	44,481	39,347
System repairs and maintenance	306,054	176,306
Bank, credit card and trustee fees	83,566	71,830
Utilities		
Pump station and tanks	55,819	75,896
Office	4,659	7,286
Telephone	18,855	17,200
Vehicles expenses	70,244	57,376
Insurance	82,920	71,310
Uniforms	19,592	16,478
Permits, fees, and dues	22,667	26,022
Meetings and travel	4,017	824
Professional services	20,427	16,649
Office supplies	101,771	74,909
Depreciation	839,554	833,738
Total Operating Expenses	3,981,309	3,326,752
Net Income From Operations	192,896	543,178
Other Income (Expenses)		
Interest income	43,190	6,647
Federal and state assistance	7,239	278,086
Gain on sale of assets	15,851	-
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(389,453)	(296,502)
Total Net Other Income (Expenses)	(323,173)	(11,769)
Change in Net Position	(130,277)	531,409
Net Position, Beginning of Year	8,364,191	7,832,782
Net Position, End of Year	$ 8,233,914	$ 8,364,191

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers and other sources	$ 4,047,231	$ 3,885,370
Cash payments to suppliers for goods and services	(2,421,854)	(2,110,580)
Cash payments to employees for services	(588,188)	(519,499)
Net Cash Provided By Operating Activities	1,037,189	1,255,291
Cash Flows From Capital and Related Financing Activities		
Purchases of fixed assets	(259,512)	(925,044)
Proceeds from sale of fixed assets	18,750	-
Federal and state assistance for capital projects	7,239	278,086
Loan proceeds	221,840	684,874
Principal paid on debt	(637,847)	(589,908)
Interest paid on debt	(369,598)	(399,283)
Net Cash Used In Capital and Related Financing Activities	(1,019,128)	(951,275)
Cash Flows From Investing Activities		
Interest income	43,190	6,647
Net change in restricted debt service investments	(26,754)	11,792
Net Cash Provided By Investing Activities	16,436	18,439
Net Increase In Cash, Cash Equivalents and Restricted Cash	34,497	322,455
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,820,252	1,497,797
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,854,749	$ 1,820,252

Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 579,415	$ 747,844
Restricted checking and savings accounts	1,275,334	1,072,408
Total Cash, Cash Equivalents and Restricted Cash	$ 1,854,749	$ 1,820,252

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2023	2022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	$ 192,896	$ 543,178
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	839,554	833,738
(Increase) decrease in:		
Accounts receivable	(117,220)	(2,768)
Inventory	70,455	(99,085)
Prepaid insurance	-	69,709
Deferred outflows related to pension	(47,578)	43,006
Increase (decrease) in:		
Trade accounts payable	9,679	(137,496)
Sales tax payable	7,196	1,242
Payroll taxes and withholdings payable	(3,537)	(631)
Accrued payroll	1,615	2,052
Accrued compensated absences	1,469	21,148
Unearned revenue	(20,785)	6,293
Customer meter deposits	3,835	10,673
Net pension liability	108,635	(26,149)
Deferred inflows related to pension	(9,025)	(9,619)
Net Cash Provided By Operating Activities	$ 1,037,189	$ 1,255,291

Supplemental Schedule of Noncash Capital and Related Financing Activities		
Cost of acquisition and construction of capital assets	$ 376,536	$ 925,044
Acquired with bank loan	(117,024)	-
Cash used for acquisition and construction of capital assets	$ 259,512	$ 925,044

See accompanying notes to financial statements.

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

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.

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.

Income Taxes

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

Cash Equivalents

For purposes of the Statement 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.

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value. Restricted investments consist of a certificate of deposit and U.S. Government securities designated for reserves and servicing bond payments

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, 2023 and 2022.

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. The cost of inventory is recognized as an expense when used (consumption method).

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.

Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. The estimated useful lives of the assets are as follows:

Buildings	40 years
Distribution system	5 - 40 years
Equipment and tools	5 - 15 years
Transportation equipment	5 - 7 years
Office furniture and equipment	3 - 7 years

The Board has a $5,000 minimum threshold policy for capitalizing capital assets.

1. Summary of Significant Accounting Policies (continued)

Right-to-Use Lease Assets / Lease Liabilities

The Board determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Board's right to use an underlying asset for the lease term and lease liabilities represent the Board's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term.

Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred.

Leases with a term or twelve months or less are not reflected on the Statement of Net Position. Rental payments are recognized on a straight-line basis over the lease term.

The Board monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure any right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entitiess information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Board does not have any SBITA's in excess of one year.

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.

1. Summary of Significant Accounting Policies (continued)

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.

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, 2023 and 2022, the Board had $29,595 and $28,126 accrued for compensated absences.

Unearned Revenue

Deferred income represents fees received in advance of service work performed. Revenues will be recognized when earned, or after the work has been completed.

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:

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 investment 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 investment in capital assets".

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

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.

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.

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.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the Board's fiscal year. These standards did not have any impact on the Board's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

2. Deposits and Investments

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

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

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, 2023 and 2022, 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, 2023 and 2022. The bank balances and carrying amount of the Board's deposits held were as follows:

	At November 30, 2023		At November 30, 2022	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 359,458	$ 359,458	$ 356,216	$ 356,216
Collateralized - held by pledging bank or pledging bank's trust department in the Board's name	1,513,536	1,495,108	1,813,262	1,463,853
Cash on hand	-	183	-	183
Total	$ 1,872,994	$ 1,854,749	$ 2,169,478	$ 1,820,252

Deposits as reported in the following Statement of Net Position captions:

As Of November 30,	2023	2022
Cash and cash equivalents	$ 579,415	$ 747,844
Restricted checking and savings accounts	1,275,334	1,072,408
Total	$ 1,854,749	$ 1,820,252

2. Deposits and Investments (continued)

Investments

The Board's investments consist of the following:

As of November 30, 2023		Market	Weighted Avg. Maturity	Credit Rating
Bond Funds				
Interest Bearing Money Market	$	97,617	N/A	N/A
Government Money Market		389,589	42 days	AAA
Certificate of deposit		218,124	485 days	N/A
Total	$	705,330		

As of November 30, 2022		Market	Weighted Avg. Maturity	Credit Rating
Bond Funds				
Interest Bearing Money Market		78,233	N/A	N/A
Government Money Market		382,219	38 days	AAA
Certificate of deposit		218,124	120 days	N/A
Total	$	678,576		

Investments as reported in the following Statement of Net Position captions:

As Of November 30,		2023		2022
Restricted certificates of deposit	$	218,124	$	218,124
Restricted investments		487,206		460,452
Total	$	705,330	$	678,576

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 are either FDIC insured or invested in U.S. Treasury securities, which are generally considered to be risk-free as they have the backing of the government.

2. Deposits and Investments (continued)

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.

Fair Value Measurement
The Board'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 Board's investments that are measured at fair value on a recurring basis at November 30, 2023:

	Level 1	Level 2	Level 3	Total
Interest Bearing Money Market	$ 97,617	$ -	$ -	$ 97,617
Government Money Market	389,589	-	-	389,589
Certificate of deposit	218,124	-	-	218,124
Total	$ 705,330	$ -	$ -	$ 705,330

3. Restricted Accounts

Restricted accounts are restricted by the various board ordinances of the Board, and laws for the following:

As of November 30,	2023	2022
Restricted checking and savings:		
Meter Deposit Reserve Fund	$ 258,934	$ 255,099
Depreciation Reserve	1,015,858	816,930
Unspent ANRC Bond Proceeds	542	379
Total restricted checking and savings	$ 1,275,334	$ 1,072,408
Restricted certificate of deposit:		
Meter Deposit Reserve Fund	$ 218,124	$ 218,124
Total restricted certificate of deposit	$ 218,124	$ 218,124

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2023 AND 2022

3. Restricted Accounts (continued)

As of November 30,	2023	2022
Restricted investments		
2020 Water Refunding Bonds - Series A, Bond Fund	$ 271,512	$ 266,206
2015 Water Revenue Refunding Bonds, Bond Fund	97,617	78,233
2013 Construction Bonds, Bond Fund	89,016	87,082
2020 Water Refunding Bonds - Series B, Bond Fund	29,061	28,931
Total restricted investments	$ 487,206	$ 460,452

Meter Deposits - restricted for repayment of customer meter deposits.

Depreciation Fund - for repairs, maintenance, betterments and improvements of the Board.

Bond Funds - established to fund the semi-annual interests and annual principal payments of the bonds.

Unspent bond funds - bond proceeds restricted for capital improvements

4. Capital Assets

Activity of capital assets consists of the following:

As Of	December 1, 2022	Additions	Retirements	November 30, 2023
Land	$ 60,000	$ -	$ -	$ 60,000
Buildings	164,608	-	-	164,608
Distribution System	31,539,363	-	-	31,539,363
Equipment and tools	209,620	16,145	-	225,765
Transportation equipment	427,916	126,874	70,990	483,800
Office furniture and equipment	110,325	-	-	110,325
Construction in progress	704,918	233,517	-	938,435
Total capital assets	33,216,750	376,536	70,990	33,522,296
Less accumulated depreciation	14,231,562	839,554	68,091	15,003,025
Capital assets, net	$ 18,985,188	$ (463,018)	$ 2,899	$ 18,519,271

As Of	December 1, 2021	Additions	Retirements	November 30, 2022
Land	$ 60,000	$ -	$ -	$ 60,000
Buildings	164,608	-	-	164,608
Distribution System	31,154,716	384,647	-	31,539,363
Equipment and tools	209,620	-	-	209,620
Transportation equipment	427,916	-	-	427,916
Office furniture and equipment	110,325	-	-	110,325
Construction in progress	164,521	844,347	303,950	704,918

4. Capital Assets (continued)

As Of	December 1, 2021	Additions	Retirements	November 30, 2022
Total capital assets	32,291,706	1,228,994	303,950	33,216,750
Less accumulated depreciation	13,397,824	833,738	-	14,231,562
Capital assets, net	$ 18,893,882	$ 395,256	$ 303,950	$ 18,985,188

Construction in progress of $938,435 and $704,918 at November 30, 2023 and 2022 is for the tank and pump station rehabilitation project. The total estimated cost of the project is $1,500,000 which is being funded with the ANRC 2020 bond proceeds of $1.3 million and depreciation reserve funds. See Note 6 for additional information on the bonds payable. The project will be finished in 2024.

5. Right-to-Use Assets / Liabilities

Leases

In August 2019, the Board signed a five year lease agreement for office equipment. The Board pays $170 quarterly plus additional variable amounts for usage.

Because this is a contract that conveys the control of the right to use a nonfinancial asset of the Board for a period of time in an exchange transaction, the lease falls under the scope of GASB No. 87, *Leases.* Under the lease standard the District would need to record a right to use asset and related lease liability for the remaining contract period, which is less than one year at November 30, 2023. Total rental expense remaining on the term of the lease is approximately $510 at November 30, 2023. As this amount is not material to the financial statements, the Board will not record the right to use asset or related liability in the accompanying financial statements. The Board recognized $680 of equipment rental expense during both years ended November 30, 2023 and 2022. Variable usage expenses paid on the lease during the years ended November 30, 2023 and 2022, were $6,235 and $3,762, respectively. These expenses are included in office supplies expense on the Statement of Revenues, Expenses, and Changes in Net Position.

The Board will continue to evaluate all leases going forward to ensure compliance with the lease standard.

6. Long-Term Debt

Long-term debt of the Board consists of:

As Of November 30,	2023	2022
USDA note, dated September 25, 2007, in the amount of $1,720,000. The note is payable in monthly installments of $7,620 including interest at 4.25%. The note matures in September 2047.	$ 1,352,817	$ 1,385,958
ANRC Series 2013 Series A Construction Bonds totaling $1,442,000. Payments of $84,905 are due annually on December 1, and include interest at 4%. The note matures on December 1, 2043.	1,191,144	1,226,970
Bank of the Ozarks Series 2015 Water Revenue Refunding Bonds totaling $2,445,000 were issued in November 2015. The funds were used to retire the 2010 Series Construction Bonds issued March 2011. Principal payments are made annually on June 1, with semi-annual interest payments due on June 1 and December 1. These bonds bear interest between 1.25% and 4.00% and mature in June 2039. The bonds are secured by revenues.	1,795,000	1,885,000
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 June1, with with final maturity June 2039. The bonds are secured by revenues.	6,390,000	6,745,000
Series 2020B - in the amount of $790,000, were 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.	620,000	665,000
ANRC Water Revenue Bonds, Series 2020 allows for borrowings up to $1,300.000. The Board has borrowed $922,414 as of November 30, 2023. The funds are for constructing betterments and improvements to the water facilities of the water system. Semi-annual payments of $38,659 are due on April 15 and October 15, which include interest at 0.75% plus a 1% service fee. The bonds mature April 2043, and are secured by revenues.	895,130	700,574

6. Long-Term Debt (continued)

As Of November 30,	2023	2022
Arvest Bank note dated August 20, 2018 in the amount of $44,765 for the purchase of two 2018 Chevrolet Silverado. The note is payable in monthly installments of $848 including interest at 4.99% with final maturity September 2023. The remaining principal balance on the note was paid in 2023.	-	8,252
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. The remaining principal balance on the note was paid in full in 2023.	-	6,175
Arvest Bank note 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. The note is secured by the vehicle which has a carrying value of $2,970 at November 30, 2023.	3,829	10,706
Arvest Bank note 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. The remaining principal balance on the note was paid in 2023.	-	12,073
Arvest Bank note dated August 12, 2021 in the amount of $47,507 for the purchase of two 2021 Dodge Ram trucks. The note is payable in monthly installments of $876 including interest at 4.00% with final maturity August 2026. The note is secured by the vehicles which have a carrying value of $29,921 at November 30, 2023.	21,910	32,096
Arvest Bank note dated December 17, 2022 in the amount of $45,270 for the purchase of a 2023 Chevrolet Silverado truck. The note is payable in monthly installments of $904 including interest at 6.85% with final maturity November 2027. The note is secured by the truck which had a carrying value of $36,275 at November 30, 2023.	37,687	-
Arvest Bank note dated November 17, 2023 in the amount of $36,275 for the purchase of a 2022 Chevrolet Silverado truck. The note is payable in monthly installments of $751 including interest at 8.75% with final maturity November 2028. The note is secured by the truck which had a carrying value of $37,686 at November 30, 2023.	36,275	-

6. Long-Term Debt (continued)

As Of November 30,	2023	2022
Arvest Bank note dated November 29, 2023 in the amount of $35,029 for the purchase of a 2024 Chevrolet Silverado truck. The note is payable in monthly installments of $725 including interest at 8.75% with final maturity November 2028. The note is secured by the truck which had a carrying value of $42,115 at November 30, 2023.	35,029	-
Total	12,378,821	12,677,804
Less current maturities	(666,677)	(655,327)
Plus: unamortized bond premium	14,438	15,340
Long-Term Debt	$ 11,726,582	$ 12,037,817

Debt is scheduled to mature as follows:

	Direct Placements		Direct Borrowings	
November 30,	Principal	Interest	Principal	Interest
2024	$ 505,000	$ 243,912	$ 161,677	$ 135,510
2025	520,000	230,630	163,356	129,382
2026	535,000	217,013	161,054	123,204
2027	555,000	202,965	164,267	117,957
2028	565,000	188,487	157,767	111,804
2029-2033	3,020,000	699,136	787,402	480,913
2034-2038	2,665,000	271,189	887,515	342,141
2039-2043	440,000	10,595	718,609	163,116
2044-2047	-	-	372,174	25,151
Total	$ 8,805,000	$ 2,063,927	$ 3,573,821	$ 1,629,178

Each of the Board'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.

7. 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 year ended November 30, 2023, the Board was in violation of the rate covenant. The Board passed a resolution to increase water rates charged effective October 1, 2023. For the year ended November 30, 2022, the Board had satisfied all the covenants of the Bond Trust Indenture.

8. Changes in Long-Term Liabilities

Changes in long-term liabilities consists of the following:

As Of	December 1, 2022	Additions	Retirements	November 30, 2023	Due Within One Year
USDA RD	$ 1,385,958	$ -	$ 33,141	$ 1,352,817	$ 34,427
Bond Series 2015	1,885,000	-	90,000	1,795,000	95,000
Bond Series 2020A	6,745,000	-	355,000	6,390,000	365,000
Bond Series 2020B	665,000	-	45,000	620,000	45,000
ANRC 2013 Series A	1,226,970	-	35,826	1,191,144	37,259
ANRC 2020	700,574	221,840	27,284	895,130	54,806
Arvest:					
08/20/18 note	8,252	-	8,252	-	-
11/26/18 note	6,175	-	6,175	-	-
07/20/19 note	12,073	-	12,073	-	-
06/18/20 note	10,706	-	6,877	3,829	3,829
08/12/21 note	32,096	-	10,186	21,910	9,752
12/17/22 note	-	45,720	8,033	37,687	8,542
11/17/23 note	-	35,029	-	35,029	6,710
11/29/23 note	-	36,275	-	36,275	6,352
Net pension liability	642,234	108,635	-	750,869	-
Total	$ 13,320,038	$ 447,499	$ 637,847	$ 13,129,690	$ 666,677

As Of	December 1, 2021	Additions	Retirements	November 30, 2022	Due Within One Year
USDA RD	$ 1,418,723	$ -	$ 32,765	$ 1,385,958	$ 32,994
Bond Series 2015	1,975,000	-	90,000	1,885,000	90,000
Bond Series 2020A	7,090,000	-	345,000	6,745,000	355,000
Bond Series 2020B	710,000	-	45,000	665,000	45,000
ANRC 2013 Series A	1,261,418	-	34,448	1,226,970	35,826
ANRC 2020	15,700	684,874	-	700,574	54,806
Arvest:					
08/20/18 note	17,736	-	9,484	8,252	8,252
11/26/18 note	11,564	-	5,389	6,175	5,641
07/20/19 note	24,856	-	12,783	12,073	12,073
06/18/20 note	16,731	-	6,025	10,706	6,333
08/12/21 note	41,110	-	9,014	32,096	9,402
Net pension liability	668,383	-	26,149	642,234	-
Total	$ 13,251,221	$ 684,874	$ 616,057	$ 13,320,038	$ 655,327

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, 2023 and 2022, and is net with interest expense in the Statement of Activities. The unamortized portion is added 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 $318,601 and $347,186 at November 30, 2023 and 2022, respectively, is shown as deferred outflows on the Statement of Net Position 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 $28,585 and $28,586 for the years ended November 30, 2023 and 2022, respectively, and is included in interest and fees on long-term debt in the Statement of Activities.

10. Prior Period Adjustments

Due to the availability of the reports, the Board was able to record two years of pension activity in 2023. A prior period adjustment was made to move APERS fiscal year ended June 30, 2022 activity into 2022. In addition, a second adjustment was made to record accrued compensated absences for sick leave which had not previously been recorded. The effect of the adjustments were as follows:

	Original 2022 Balance	Change	Restated 2022 Balance
Statement of Net Position			
Deferred outflows of resources	$ 128,813	$ 64,475	$ 193,288
Accrued compensated absences	7,974	20,152	28,126
Net pension liability	184,624	457,610	642,234
Deferred inflows of resources	345,999	(330,646)	15,353
Net position - unrestricted	529,840	(82,641)	447,199
Total net position	8,446,832	(82,641)	8,364,191
Statement of Revenues, Expenses, and Changes in Net Position			
Salaries and wages	$ 521,916	$ 20,152	$ 542,068
Employee benefits	158,375	39,127	197,502
Change in net position	614,050	(82,641)	531,409

11. 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.

11. Arkansas Public Employees Retirement System (Continued)

Plan Description (continued)

The general administration and responsibility for the proper operation of the System is vested in the thirteen 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; 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, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

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 7/1/207	2.00%
Non-Contributory	1.72%

11. Arkansas Public Employees Retirement System (continued)

Benefits Provided

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.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

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. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. 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 both Plan fiscal years ended June 30, 2023 and 2022. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Board were $89,457 and $78,588 for the years ended November 30, 2023 and 2022, respectively.

11. Arkansas Public Employees Retirement System (continued)

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, 2023, 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, 2023 was 0.02576600%.

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, 2023 and the Board's report ending date of November 30, 2023, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2023. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.00%
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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

11. Arkansas Public Employees Retirement System (continued)

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 (expected returns, net of pension plan investment expense and inflation) 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the APERS target asset allocation as of June 30, 2023 are summarized in the table below:

Asset	Target	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
	100%	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary's Assumption		2.50%
Net Expected Return		7.44%

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, 2023 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.86% (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 7.00%.

11. Arkansas Public Employees Retirement System (continued)

Single Discount Rate (continued)

The single discount rate of 7.00% 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 7.00%. 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

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	$ 552,282	$ 750,869	$ 383,450

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

The Board's proportionate share of pension expense was $141,489 as of the measurement date of June 30, 2023. At November 30, 2023, the Board had an accrued APERS liability of $2,254 for the Board's legally required contribution. At November 30, 2023, 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	$ 42,385	$ 4,125
Changes in assumptions	35,300	-
Net difference between projected and actual earnings on pension plan investments	93,456	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,015	2,203
Board contributions subsequent to the measurement date	35,710	-
Total	$ 240,866	$ 6,328

11. Arkansas Public Employees Retirement System (continued)

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

$35,710 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, 2024, 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 (Decrease) in Pension Expense
2024	$ 53,630
2025	29,757
2026	121,749
2027	(6,308)
	$ 198,828

12. Federal and State Assistance

The Board received $278,086 during the year ended November 30, 2022 from the Arkansas Department of Transportation for the relocation of a water main line at Highway 23 and 127. The project was completed in February 2022 at a total cost of $303,950.

The Board received $7,239 from FEMA during the year ended November 30, 2023 for relocation of a water line at Cobb Creek that was completed in July 2022 at a total cost of $80,697. The Board received a total of $66,662 from FEMA for the project, of which $59,423 was received in 2021.

13. 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 14.6% and 14.7% of total water sales for the years ending November 30, 2023 and 2022, 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.

14. 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 to mitigate the risk of loss.

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.

15. 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, 2023 and 2022 were respectively $196,203 and $135,013.

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

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, 2023 through June 20, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

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, 2023

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

	APERS June 30, 2023	APERS June 30, 2022	APERS June 30, 2021	APERS June 30, 2020	APERS June 30, 2019	APERS June 30, 2018	APERS June 30, 2017
Board's proportion of the net pension liability	0.02576600%	0.02381834%	0.02401351%	0.02334077%	0.02408589%	0.02383904%	0.02329936%
Board's proportionate share of the net pension liability	$ 750,869	$ 642,234	$ 184,624	$ 668,383	$ 581,079	$ 525,874	$ 602,088
Board's covered-employee payroll	$ 571,082	$ 497,873	$ 479,525	$ 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	131.48%	129.00%	38.50%	146.76%	126.07%	117.77%	143.38%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%

Schedule of Required Contributions Last Fiscal Year

	November 30, 2023	November 30, 2022	November 30, 2021	November 30, 2020	November 30, 2019	November 30, 2018	November 30, 2017
Contractually required contribution	$ 89,457	$ 78,588	$ 76,354	$ 69,082	$ 70,125	$ 69,324	$ 63,557
Contributions in relation to the contractually required contribution	(89,457)	(78,588)	(76,354)	(69,082)	(70,125)	(69,324)	(63,557)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 583,927	$ 512,976	$ 498,398	$ 450,928	$ 457,733	$ 462,497	$ 435,252
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	14.99%	14.60%

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, 2023

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: June 30, 2014 through June 30, 2020
June 30, 2021 and 2022 valuation
- Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
- Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
- For members hired on or after July 1, 2022:
  - Change the final average compensation period from 3 to 5 years
  - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index

None: June 30, 2023

3. Changes in actuarial assumptions:

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Single Discount Rate	7.00%	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%
Municipal Bond Rate	3.86%	3.69%	1.92%	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	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%	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-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-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-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, 2023

Number of residential customers - 4,494

Number of agricultural customers - 277

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

PRZYBYSZ & ASSOCIATES
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
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, 2023, and the related notes to the financial statements, which collectively comprise the Madison County Water Facilities Board's financial statements, and have issued our report thereon dated June 20, 2024, which was modified to reflect the omission of the management's discussion and analysis.

Report on 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County Water Facilities Board's 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

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
June 20, 2024