

BIGELOW WATER AND SEWER DEPARTMENT  
DECEMBER 31, 2022 AND 2021

**BIGELOW WATER AND SEWER DEPARTMENT**

**DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

City Council and Management  
Bigelow Water and Sewer Department  
Bigelow, Arkansas

### Report on the Audits of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bigelow Water and Sewer Department, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Bigelow Water and Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bigelow Water and Sewer Department, as of December 31, 2022 and 2021, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Bigelow Water and Sewer Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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.

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 Bigelow Water and Sewer Department'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.

### ***Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bigelow Water and Sewer Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bigelow Water and Sewer Department'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 – 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

**Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bigelow Water and Sewer Department’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic 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 audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 July 31, 2024, on our consideration of the Bigelow Water and Sewer Department’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 the Bigelow Water and Sewer Department’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 Bigelow Water and Sewer Department’s internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
July 31, 2024



**BIGELOW WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 9,605	\$ 15,798
Restricted	77,010	68,317
Accounts Receivable	27,282	23,716
	<u>113,897</u>	<u>107,830</u>
Property and Equipment (Note 3)		
Vehicles	14,100	14,100
Buildings	25,623	25,623
Office Equipment	13,059	13,059
Facility Equipment	232,458	232,458
Water & Sewer System	4,195,962	4,195,962
Land	85,422	85,422
	<u>4,566,624</u>	<u>4,566,624</u>
Less: Accumulated Depreciation	2,185,617	2,067,652
	<u>2,381,007</u>	<u>2,498,972</u>
Unamortized Loan Cost - Net of Amortization	<u>8,205</u>	<u>8,509</u>
	<u>\$ 2,503,109</u>	<u>\$ 2,615,311</u>
<b><u>LIABILITIES</u></b>		
Accounts Payable	3,229	7,329
Accrued Expenses	1,478	2,236
Accrued Interest Payable	5,612	5,796
Long-Term Liabilities (Note 4)		
Due Within 1 Year	27,232	25,082
Due in More Than 1 Year	721,833	748,687
Customer Deposits	21,834	17,160
	<u>781,218</u>	<u>806,290</u>
<b><u>NET POSITION</u></b>		
Net Invested in Capital Assets	1,631,942	1,725,203
Restricted	55,176	51,157
Unrestricted	34,773	32,661
	<u>1,721,891</u>	<u>1,809,021</u>
	<u>\$ 2,503,109</u>	<u>\$ 2,615,311</u>

**BIGELOW WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Water and Sewer Revenues	\$ 203,259	\$ 203,278
<b>OPERATING EXPENSES</b>		
Salaries	39,150	40,800
Utilities	39,254	35,208
Water Services	46,634	36,061
Contract Labor	3,015	3,806
Insurance	200	1,286
Repairs and Maintenance	3,083	6,989
Supplies	7,659	8,070
Office Supplies and Postage	2,079	1,771
Bank Charges	106	52
Payroll Taxes	3,055	3,181
Health & Dental Insurance	0	4,323
Depreciation	117,965	127,337
Amortization Debt Service Cost	304	304
Amortization Bond Issue Discount	379	379
Professional Fees	0	3,000
Licenses and Permits	1,625	2,322
Auto Expense	100	362
Miscellaneous	165	137
Bad Debt Expense	456	706
	<u>265,229</u>	<u>276,095</u>
Operating Income (Loss)	(61,970)	(72,817)
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	35	28
Interest Expense	(25,195)	(26,102)
	<u>(25,160)</u>	<u>(26,074)</u>
<b>CHANGE IN NET POSITION</b>	(87,130)	(98,891)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,809,021</u>	<u>1,907,912</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,721,891</u>	<u>\$ 1,809,021</u>

**BIGELOW WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Water Customers	\$ 204,368	\$ 207,002
Other Operating Cash Receipts		
Payments to Suppliers	(105,926)	(87,015)
Payments to Employees	(42,963)	(48,298)
Payments for Other Admin Costs	(2,931)	(7,853)
<b>Net Cash Provided by Operating Activities</b>	<u>52,548</u>	<u>63,836</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	0	(19,049)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>0</u>	<u>(19,049)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Paid on Long-term Debt	(25,435)	(29,414)
Reductions of Notes Payable	(24,613)	(27,816)
<b>Net Cash Used by Financing Activities</b>	<u>(50,048)</u>	<u>(57,230)</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,500	(12,443)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>84,115</u>	<u>96,558</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 86,615</u>	<u>\$ 84,115</u>

**Supplemental Disclosures of Cash Flow Information:**

Cash Paid During the Year for Interest	\$ 25,379	\$ 29,414
 Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 9,605	\$ 15,798
Restricted Cash	77,010	68,317
	<u>\$ 86,615</u>	<u>\$ 84,115</u>



**BIGELOW WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Income from Operations</b>	\$(61,970)	\$(72,817)
<b>Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:</b>		
Depreciation and Amortization Debt Service Cost	118,269	127,641
Interest Income Included in Operating Income (Loss)		
(Increase) Decrease in Accounts Receivable	(3,565)	8,988
Increase (Decrease) in Accounts Payable	(4,101)	5,252
Increase (Decrease) in Accrued Expenses	(759)	36
Increase (Decrease) in Customer Deposits	4,674	(5,264)
	114,518	136,653
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 52,548</b>	<b>\$ 63,836</b>

See Independent Auditors' Report and Notes to Financial Statements

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations***

The Bigelow Water and Sewer Department is engaged in providing water and sewer services to the public located in Bigelow, Arkansas and the surrounding rural community.

***Organization***

The City of Bigelow, Arkansas is a municipal corporation governed by an elected Mayor-Council form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board (GASB) Statement No. 14 have been considered. These financial statements represent only the Water and Sewer Department fund and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

These financial statements represent only the Water and Sewer System funds and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America. Separately issued financial statements of the City, primary government other than the Department, may be obtained at the City of Bigelow, Arkansas' City Office.

***Fund Accounting***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped in the financial statements into one generic fund type.

***Proprietary Fund Type***

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

***Basis of Accounting***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

***Cash Equivalents***

The Department considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Accounts Receivable and Bad Debts***

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

***Property and Equipment***

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Water and Sewer System	40 years
Building	40 years
Automobiles and Equipment	5 years
Office Equipment	5 years

Depreciation expenses for the years ended December 31, 2022 and 2021 amounted to \$117,965 and 127,337 respectively.

***Compensated Absences***

Employees of the Department are entitled to paid vacations and sick days depending on job classification, length of service, and other factors. It is important to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Department's policy is to recognize the costs of compensated absences when paid to employees.

***Income Tax***

The Bigelow Water and Sewer Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

***Net Position Classifications***

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fair Value of Financial Instruments***

The Department's financial instruments include cash, cash equivalents and certificate of deposit investments. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

***Regulatory Environment***

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Health Department. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

***Budget***

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The cash balance at December 31, 2022 and 2021 is composed of unrestricted and restricted funds as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted		
Water and Sewer Operating Fund	\$ 9,605	\$ 15,798
Restricted		
Depreciation Fund	20,347	16,545
Debt Service Fund	34,829	34,612
Meter Deposit Fund	<u>21,834</u>	<u>17,160</u>
	<u>77,010</u>	<u>68,317</u>
	<u>\$ 86,615</u>	<u>\$ 84,115</u>

**NOTE 3: PROPERTY AND EQUIPMENT**

At December 31, 2022, the Department had property and equipment as follows

	<u>12-31-2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-2022</u>
Vehicles	\$ 14,100			\$ 14,100
Buildings	25,623			25,623
Office Equipment	13,059			13,059
Facility Equipment	232,458			232,458
Water & Sewer Systems	4,195,962			4,195,962
Land				
	<u>85,422</u>			<u>85,422</u>
	<u>\$ 4,566,624</u>			<u>\$ 4,566,624</u>

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3: PROPERTY AND EQUIPMENT (continued)**

At December 31, 2021, the Department had property and equipment as follows

	<u>12-31-2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-2021</u>
Vehicles	\$ 14,100			\$ 14,100
Buildings	25,623			25,623
Office Equipment	9,364	\$ 3,695		13,059
Facility Equipment	229,844	2,614		232,458
Water & Sewer Systems	4,183,222	12,740		4,195,962
Land				85,422
	<u>85,422</u>			
	<u>\$ 4,547,575</u>	<u>\$ 19,049</u>		<u>\$ 4,566,624</u>

**NOTE 4: LONG-TERM DEBT**

Long-term debt at December 31, 2022 consists of the following:

	<u>12-31-2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2022</u>
5.0% note payable to Arkansas Natural Resources Commission payable in annual installments of \$7,147 including interest, secured by the water system.	\$ 55,182		\$ 4,388	\$ 50,794
2.0% bond payable to Arkansas Natural Resources Commission payable in annual installments of \$18,307 including interest, secured by the water system.	399,899		10,309	389,590
4.5% note payable to USDA Rural Development payable in monthly installments of \$1,419 including interest, secured by the water system.	221,656		7,201	214,455
4.5% note payable to USDA Rural Development payable in monthly installments of \$665 including interest, secured by the water system.	<u>108,018</u>		<u>3,185</u>	<u>104,833</u>
	<u>\$ 784,755</u>		<u>\$ 25,083</u>	<u>\$ 759,672</u>
Less: current maturities				27,232
Less: unamortized discount				10,608
				<u>\$ 721,832</u>

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4: LONG-TERM DEBT (continued)**

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	27,232	23,230	50,462
2024	26,981	23,481	50,462
2025	27,963	22,499	50,462
2026	28,984	21,478	50,462
2027	30,048	20,414	50,462
2028-32	160,657	84,498	245,154
2033-37	160,469	56,106	216,575
2028-42	163,242	26,375	189,617
2042-47	81,313	10,222	91,535
2048-52	52,784	2,126	54,910

The debt reserve requirement for the above loans as of 12-31-2022 of \$25,008, was met.

Long-term debt at December 31, 2021 consists of the following:

	<u>12-31-2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2021</u>
5.0% note payable to Arkansas Natural Resources Commission payable in annual installments of \$7,147 including interest, secured by the water system.	\$ 63,341		\$ 8,159	\$ 55,182
2.0% bond payable to Arkansas Natural Resources Commission payable in annual installments of \$18,307 including interest, secured by the water system.	410,006		10,107	399,899
4.5% note payable to USDA Rural Development payable in monthly installments of \$1,419 including interest, secured by the water system.	228,541		6,885	221,656
4.5% note payable to USDA Rural Development payable in monthly installments of \$665 including interest, secured by the water system.	<u>111,062</u>		<u>3,044</u>	<u>108,018</u>
	<u>\$ 812,950</u>		<u>\$ 28,195</u>	<u>\$ 784,755</u>
Less: current maturities				25,082
Less: unamortized discount				10,986
				<u>\$ 748,687</u>

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4: LONG-TERM DEBT (continued)**

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 25,082	\$ 25,380	\$ 50,462
2023	25,984	24,478	50,462
2024	26,924	23,538	50,462
2025	27,903	22,559	50,462
2026	28,922	21,540	50,462
2027-31	161,810	90,491	252,301
2032-36	155,078	61,497	216,575
2037-41	176,990	33,150	210,140
2042-46	86,365	12,463	98,827
2047-51	69,697	3,520	73,217

The debt reserve requirement for the above loans as of 12-31-2021 of \$25,008, was met.

**NOTE 5: AMORTIZATION**

The Water and Sewer Department incurred refinance costs of approximately \$11,800 in connection to long-term debt owed to the Arkansas Natural Resources Commission. These costs are being amortized over the life of the debt at \$304 annually. The debt was issued at a discount of \$14,775 that is being amortized over the life of the debt at \$379 annually.

**NOTE 6: SCHEDULE OF RATES**

The water and sewer rates during the year 2022 were unchanged from 2021, and were as follows:

Monthly Water Rates:

- a. Minimum charge on first 1,000 gallons, \$27.50. (Additional \$5.00 flat charge for customers outside the city limits of Bigelow)
- b. Charge of \$3.50 per 1,000 gallons for the next 3,000 gallons.
- c. Charge of \$3.00 per 1,000 gallons for all over 4,000 gallons.

Monthly Sewer Rates:

- a. Minimum charge on first 1,000 gallons, \$26.30
- b. Charge of \$9.86 per 1,000 gallons for the next 3,000 gallons.
- c. Charge of \$9.30 per 1,000 gallons for all over 4,000 gallons.

**NOTE 7: CONCENTRATION OF CREDIT RISK**

The Department provides water services to residential, farm, commercial and industrial customers in Bigelow, Arkansas, and the surrounding rural community. The Department operates from its primary facilities in Bigelow, Arkansas. The Department grants unsecured credit to customers located in the vicinity of the operating location. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered. And there is no cash credit risk because the Departments balances are below the FDIC insurance limits.

**BIGELOW WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 8: INSURANCE COVERAGE**

Company: Union Standard Insurance Group  
Policy #: 4270246-22  
Expiration: 06-25-23  
Coverage: Water Department buildings, tanks and equipment

Company: Arkansas Fidelity Bond Trust Fund  
Policy #: FBTF15  
Expiration: 06-30-23  
Coverage: Fidelity policy-\$300,000

Company: Arkansas Municipal League Municipal Vehicle Program  
Policy #: 290  
Expiration: 05-08-23  
Coverage: Coverage I – Vehicle Liability  
Coverage II – Physical Damage

**NOTE 8: ACCOUNTING STANDARDS**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), established a new standard of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of other elements). The statement required outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial impact resulting from the implementation of GASB 63 in the System's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statements of Net Assets" to "Statements of Net Position".

**NOTE 9: SUBSEQUENT EVENTS**

The Department considers there to be no significant events to be reported through July 31, 2024, which is the date the financial statements were available to be issued.



**BIGELOW WATER AND SEWER DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

Bigelow Water and Sewer Department discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the Department's financial activity
- Identify changes in the Department's financial position
- Identify individual fund issues or concerns

**Overview of the Financial Statements**

The Financial Statements of the Department, reports information about the Department using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the Department's overall financial status. Following the financial statements are the Notes to the Financial Statements which provide explanations and additional detailed information.

The Statements of Net Position present information on all the Department's assets and liabilities with the difference between the two reported as net position. The statements provide one way to measure the financial health of the Department by providing the basis for evaluating the capital structure of the Department and assessing the liquidity and financial flexibility of the Department.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Department's net position changed during the most recent and current years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statements of Cash Flows report cash receipts and expenditures that result from operations, financing, and investing activities. These statements provide information regarding sources of cash and use of cash.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis of the Department**

The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$1,721,891 (net position). Of this amount, \$34,773 (unrestricted net assets) may be used to meet the Department's ongoing obligations to customers and creditors.

The largest portion of the department's net assets, which is \$1,642,550, reflects its investment in capital assets, net of depreciation, the related debt used to acquire the assets, and unamortized bond issue discount. The Department uses these capital assets to provide services to its customers. The related debt will be repaid with resources provided by the department's customers through rates and fees.

Total assets amounted to \$2,503,109 consisting of net capital assets of \$2,381,007 and other assets of \$122,102. Total assets decreased \$112,202 during the current fiscal year. This decrease was the net result of the current year depreciation of \$117,965 (which reduces net assets) and a net increase in other assets of \$5,763.

Total liabilities amounted to \$781,218 consisting of long-term liabilities of \$721,833 and other liabilities of \$59,385. Total liabilities decreased \$25,072 during the current fiscal year. This decrease was the net result of payments on long term debt and totaling \$26,854, and a net increase in other liabilities of \$1,782.

The Department experienced a net increase in total cash in the amount of \$2,501 during the current year. This increase was the result of a decrease in unrestricted cash in the amount of \$6,193 and an increase in restricted cash in the amount of \$8,693. The details of restricted and unrestricted cash are detailed in Note 2.

**BIGELOW WATER AND SEWER DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**YEAR ENDED DECEMBER 31, 2022**

**Economic Factors**

The Department indicated no changes related to current economic factors.

**Request for Information**

This report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bigelow Water And Sewer Department, P.O. Box 177, Bigelow, Arkansas 72016.

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## 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*

City Council and Management  
Bigelow Water and Sewer Department  
Bigelow, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Bigelow Water and Sewer Department, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise The Bigelow Water and Sewer Department's basic financial statements, and have issued our report thereon dated October 26, 2023.

### Report on Internal Control over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audits 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.

## Report on Compliance and Other Matters

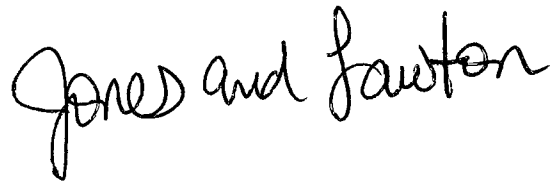
As part of obtaining reasonable assurance about whether The Bigelow Water and Sewer Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 audits, 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.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
July 31, 2024

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.