

GOULD WATER AND SEWER COMMISSION
ACCOUNTANT'S REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2022

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Independent Auditor's Report

Board of Directors
Gould Water and Sewer Commission

Opinion

I have audited the financial statements of Gould Water and Sewer Commission, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gould Water and Sewer Commission as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Gould Water and Sewer Commission and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Gould Water and Sewer Commission ability to continue as a going concern within one year from the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS 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 GAAS, I:

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 Gould Water and Sewer Commission 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gould Water and Sewer Commission ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 15, 2023 on my consideration of the Gould Water and Sewer Commission internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gould Water and Sewer Commission internal control over financial reporting and compliance.



Alan K. Minor
Certified Public Accountant

December 15, 2023

GOULD WATER AND SEWER COMMISSION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2022

	<u>2021</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
CASH IN BANK - CHECKING (NOTE 4)	36,812	24,374
ACCOUNTS RECEIVABLE - CUSTOMERS	75,473	80,303
ALLOWANCE FOR DOUBTFUL ACCOUNTS	<u>-9,244</u>	<u>-7,989</u>
	66,229	72,314
TOTAL CURRENT ASSETS	103,041	96,688
RESTRICTED ASSETS (NOTE 3)		
CASH IN BANK - CHECKING	<u>119,861</u>	<u>130,170</u>
TOTAL RESTRICTED ASSETS	119,861	130,170
PROPERTY, PLANT AND EQUIPMENT		
LAND	14,615	14,615
PLANT, DISTRIBUTION AND SEWER SYSTEM	2,155,056	2,155,056
MACHINERY AND EQUIPMENT	<u>118,712</u>	<u>118,712</u>
	2,288,383	2,288,383
LESS ACCUMULATED DEPRECIATION	<u>-1,460,372</u>	<u>-1,504,271</u>
TOTAL FIXED ASSETS	828,011	784,112
TOTAL ASSETS	\$ <u>1,050,913</u>	\$ <u>1,010,970</u>

SEE NOTES TO FINANCIAL STATEMENTS

GOULD WATER AND SEWER COMMISSION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2022

	<u>2021</u>	<u>2022</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
CURRENT PORTION OF LONG TERM DEBT	27,060	<u>28,323</u>
TOTAL CURRENT LIABILITIES	27,060	28,323
LONG TERM DEBT		
NOTE PAYABLE - ARK. NAT. RESOURCES COMM.	72,830	49,722
NOTE PAYABLE - USDA RURAL DEVELOPMENT	<u>158,289</u>	<u>154,156</u>
LESS CURRENT PORTION	231,119	203,878
	<u>-27,060</u>	<u>-28,323</u>
TOTAL LONG TERM DEBT	204,059	175,555
OTHER LIABILITIES		
CUSTOMER METER DEPOSITS	<u>58,586</u>	<u>61,870</u>
TOTAL OTHER LIABILITIES	58,586	61,870
NET ASSETS		
WITH RESTRICTIONS	119,661	130,170
WITHOUT RESTRICTIONS	<u>641,347</u>	<u>615,052</u>
TOTAL NET ASSETS	761,008	745,222
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,050,713</u>	\$ <u>1,010,970</u>

SEE NOTES TO FINANCIAL STATEMENTS

GOULD WATER AND SEWER COMMISSION
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2022

	<u>2021</u>	<u>2022</u>
REVENUES		
WATER	155,116	148,786
SEWER	71,640	68,203
GARBAGE	63,477	62,564
INTEREST	93	155
OTHER	<u>34,717</u>	<u>35,995</u>
TOTAL REVENUES	325,043	315,703
EXPENSES		
PERSONNEL COSTS - EMPLOYEES	104,042	100,304
SALARIES & WAGES - COMMISSIONERS	5,850	8,650
OFFICE SUPPLIES	9,423	8,191
TELEPHONE	5,013	5,499
FUEL	3,630	3,455
REPAIRS & MAINTENANCE	28,939	30,126
SANITATION FEES	55,594	54,908
UTILITIES	20,273	19,857
PROFESSIONAL FEES	4,200	4,200
EXCISE TAXES	23,463	23,659
DUES & FEES	3,536	4,215
ADVERTISING	690	293
LAB FEES	5,445	4,760
TRAVEL	1,931	3,437
INSURANCE	4,523	5,356
INTEREST	10,884	10,142
DEPRECIATION	43,899	43,899
BAD DEBTS	1,833	406
OTHER	<u>361</u>	<u>132</u>
TOTAL EXPENSES	333,529	331,489
EXCESS EXPENSES OVER REVENUES	\$ -8,486	\$ -15,786

SEE NOTES TO FINANCIAL STATEMENTS

GOULD WATER AND SEWER COMMISSION
STATEMENT OF NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2022

	<u>2021</u>	<u>2022</u>
NET ASSETS - BEGINNING OF YEAR	\$ 769,494	\$ 761,008
CURRENT YEAR EXCESS EXPENSES OVER REVENUES	<u>-8,486</u>	<u>-15,786</u>
NET ASSETS - END OF YEAR	\$ 761,008	\$ 745,222

SEE NOTES TO FINANCIAL STATEMENTS

GOULD WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
EXCESS EXPENSES OVER REVENUES		-15,786
ADJUSTMENTS TO RECONCILE EXCESS EXPENSES OVER REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	43,899	
INCREASE IN ACCOUNTS RECEIVABLE	-6,085	
INCREASE IN CUSTOMER DEPOSITS	<u>3,284</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>41,098</u> 25,312
CASH FLOWS FROM FINANCING ACTIVITIES		
DECREASE IN NOTES PAYABLE		
NET CASH USED BY FINANCING ACTIVITIES	<u>-27,241</u>	-27,241
NET DECREASE IN CASH		-1,929
CASH, BEGINNING OF YEAR		<u>156,473</u>
CASH, END OF YEAR	\$	154,544

SEE NOTES TO FINANCIAL STATEMENTS

GOULD WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1: Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Gould Water and Sewer Commission renders services on a user charge basis to the general public and operates as a component unit of the City of Gould, Arkansas. At December 31, 2022 the Commission had approximately 350 users.

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 the reported amounts of assets and liabilities and 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 those estimates.

Basis of Accounting and Presentation

Revenues and expenses are recognized on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

Property and Equipment

Property and equipment are recorded at cost. Depreciation has been computed using the straight line method with a 30 year useful life for plant, distribution and sewer system, and a 5 year useful life for machinery and equipment.

Income Taxes

The Commission is recognized as a tax exempt component of the City of Gould. Accordingly, there are no income taxes reflected in the accompanying financial statements. The organization's tax forms and returns for the years ended December 31, 2020 to 2022 are subject to examination by federal authorities.

Cash and Cash Equivalents

The Commission considers all highly liquid investments available for current use with original maturities of three months or less to be cash equivalents. At December 31, 2022 cash and cash equivalents consisted of demand deposits which were FDIC insured.

Accounts Receivable

Accounts receivable are reported at net realizable value after allowance for doubtful accounts.

NOTE 2: Long Term Debt

Long term debt consists of a 30 year loan from the Arkansas Soil and Water Conservation Commission, currently known as the Arkansas Natural Resources Commission payable at \$13,106.00 semi-annually with a 4.625% fixed interest rate, and a 40 year loan from USDA Rural Development payable at \$931.00 monthly with a 4.5% fixed interest rate.

5 year maturities of long term debt include \$28,323 for 2023, 29,756 for 2024, 4,765 for 2025, 5,279 for 2026, 5,848 for 2027 and \$101,584 thereafter.

NOTE 3: Restricted Assets

Cash in Bank – Checking

Water Meter Deposit (5035)	\$ 31,523
Water and Sewer Depreciation Account (5050)	2,491
Debt Service Reserve (5434)	12,992
Debt Service Reserve (5504)	53,127
Depreciation Reserve (4363)	<u>30,037</u>
Total	\$ 130,170

NOTE 4: Cash in Bank – Checking

Water and Sewer Revenue Fund	22,695
Operation and Maintenance Fund	<u>1,679</u>
Total	\$ 24,374

NOTE 5: Insurance

The Commission has insurance coverage through the Municipal League along with the City of Gould. Coverage includes \$89,000 for the water tower and \$57,480 for vehicles, machinery, and equipment.

NOTE 6: Rate Structure

At December 31, 2022 the Commission had approximately 350 users with the following rate structure:

<u>Gallons</u>	<u>Water</u>	<u>Sewer</u>
1,000 to 2,000	19.15 to 29.81	11.75 to 14.75
2,100 to 3,000	30.34 to 35.14	15.05 to 17.75
3,100 to 4,000	35.57 to 39.47	18.05 to 20.75
4,100 to 5,000	39.90 to 43.80	21.00 to 23.25
5,100 to 6,000	44.23 to 48.13	23.50 to 25.75
6,100 to 7,000	48.56 to 52.46	26.00 to 28.25
7,100 to 8,000	52.89 to 56.79	28.50 to 30.75
8,100 to 9,000	57.22 to 61.12	31.00 to 33.25
9,100 to 10,000	61.55 to 65.45	33.50 to 35.75

NOTE 7: CONCENTRATIONS

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. At December 31, 2022 there were no concentrations or vulnerabilities that require disclosure in the financial statements.

NOTE 8: SUBSEQUENT EVENTS

The organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through the date of the audit report. There were no identified subsequent events that require recognition or disclosure in the financial statements.

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

Commissioners
Gould Water and Sewer Commission

I 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 Gould Water and Sewer Commission as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Gould Water and Sewer Commission's basic financial statements, and have issued my report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Gould Water and Sewer Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gould Water and Sewer Commission internal control. Accordingly, I do not express an opinion on the effectiveness of Gould Water and Sewer Commission'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.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gould Water and Sewer Commission's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Alan K. Minor
Certified Public Accountant

December 15, 2023