MADISON COUNTY WATER FACILITIES BOARD

AUDITED FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MADISON COUNTY WATER FACILITIES BOARD
NOVEMBER 30, 2022 AND 2021

CONTENTS

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, 2022 and 2021, 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, 2022 and 2021, 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.

2594 E. Joyce Blvd., Suite 1
Fayetteville, Arkansas 72703
Ph: 479.444.8200 email: marcl@selectlanding.com
www.selectcpa.com

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 34 and 35 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 36, 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 March 1, 2023, 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
March 1, 2023

GENERAL ENTITY INFORMATION AS PREPARED BY MANAGEMENT

GENERAL ENTITY INFORMATION AS PREPARED BY MANAGEMENT

Our discussion and analysis of the Madison County Water Facilities Board's financial performance provides an overview of the financial activities for the year ending November 30, 2022. 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 4,400 in 2022. 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 4,400 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 2022 and 2021 totaled $530,762 and $421,506 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 October 11, 2016, and became effective on January 1, 2017. Rate #1 is as follows:

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

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

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

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

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

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

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

Residential water sales for 2022 and 2021 were $3,075,885 and $2,972,431 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 $92,749 and $76,590 for 2022 and 2021, 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:

	2022	2021
Revenue	$678,330	$479,229
O & M	39,623	31,993
Reserve	102,433	100,836
Cash Investments (CD)	218,124	218,124
Deferred Accounts (remaining funds)	182,372	182,042
Depreciation Reserve Account	816,929	703,212

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, 2022, totaled $31,539,363 versus $31,154,716 for 2021.

The office building and land owned by the Facilities Board was valued at $224,608 in 2022 and at $224,608 in 2021. Office equipment and maintenance equipment was valued at $319,944 in 2022 and $319,944 in 2021.

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 been fortunate that the rate increase in 2017 has continued to produce the needed cash flow to keep expenses paid and allow for replacing trucks and equipment on a regular basis. However, the Madison County Regional Water District is soon to raise wholesale water rates significantly and will make it necessary to pass the increase on to the customers of the Facilities Board. This may likely happen in 2023.

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. Obtaining parts for new services was a problem in 2022 to the extent that taps were only done when parts were available. It is hoped that this supply problem will be solved by the end of this year.

Due to availability of materials, the Tank and Pump Station Rehabilitation Project has been delayed and began in 2022. With delays of supplies and availability of the times that this type of work can be done, this project may or may not be completed in 2023. The AHTD is contemplating another relocation project on Highway 74 West and plans for bids are expected in 2023. This will require a substantial amount on the part of the Facilities Board for our portion of the relocation.

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

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

Sincerely yours,

PATTI CLINE	***RODNEY REYNOLDS***
Patti Cline Office Manger	Rodney Reynolds Manager

FINANCIAL STATEMENTS

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 900,510	$ 693,448
Restricted checking and savings accounts	919,742	804,349
Restricted certificate of deposit	218,124	218,124
Restricted investments	460,452	472,244
Accounts receivable, net of allowance for doubtful accounts	308,894	306,126
Inventory	251,801	152,716
Prepaid insurance	350	70,059
Total Current Assets	3,059,873	2,717,066
Capital Assets		
Land	60,000	60,000
Buildings	164,608	164,608
Distribution system	31,539,363	31,154,716
Equipment and tools	209,620	209,620
Transportation equipment	427,916	427,916
Office furniture and equipment	110,325	110,325
Construction in progress	704,918	164,521
Total	33,216,750	32,291,706
Accumulated depreciation	(14,231,562)	(13,397,824)
Net Capital Assets	18,985,188	18,893,882
Total Assets	22,045,061	21,610,948
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	347,186	375,772
Deferred outflows related to pension	128,813	236,294
Total Deferred Outflows of Resources	475,999	612,066
Total Assets and Deferred Outflows of Resources	$ 22,521,060	$ 22,223,014

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF NET POSITION

AS OF NOVEMBER 30,	2022	2021
Liabilities and Net Position		
Current Liabilities		
Trade accounts payable	140,666	278,162
Sales tax payable	8,991	7,749
Payroll taxes and withholdings payable	4,235	4,866
Accrued payroll	5,833	3,781
Accrued compensated absences	7,974	6,978
Unearned revenue	31,170	24,877
Accrued interest	178,369	308,834
Meter deposits payable	473,223	462,550
Current maturity of long-term debt	655,327	586,864
Total Current Liabilities	1,505,788	1,684,661
Noncurrent Liabilities		
Long-term debt, net of unamortized bond premium	12,037,817	12,012,216
Net pension liability	184,624	668,383
Total Noncurrent Liabilities	12,222,441	12,680,599
Total Liabilities	13,728,229	14,365,260
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	345,999	24,972
Total Deferred Inflows of Resources	345,999	24,972
Net Position		
Net investment in capital assets	6,639,610	6,670,574
Restricted	1,277,382	1,162,208
Unrestricted	529,840	-
Total Net Position	8,446,832	7,832,782
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 22,521,060	$ 22,223,014

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,	2022	2021
Operating Revenue		
Water sales, net of bad debts	$ 3,075,885	$ 2,962,167
Wholesale water sales	530,762	421,506
Tap fees	155,017	124,727
Late charges	40,500	36,880
Other services	67,766	77,610
Total Operating Revenue	3,869,930	3,622,890
Operating Expenses		
Water purchases	1,078,649	1,068,813
Salaries and wages	521,916	503,492
Employee benefits	158,375	384,152
Payroll taxes	39,347	38,128
System repairs and maintenance	176,306	51,768
Bank, credit card and trustee fees	71,830	74,441
Utilities		
Pump station and tanks	75,896	35,267
Office	7,286	3,286
Telephone	17,200	19,018
Vehicles expenses	57,376	65,599
Insurance	71,310	66,700
Uniforms	16,478	16,721
Permits, fees, and dues	26,022	23,196
Meetings and travel	824	2,122
Professional services	16,649	20,762
Office supplies	74,909	61,091
Miscellaneous	-	463
Depreciation	833,738	816,459
Total Operating Expenses	3,244,111	3,251,478
Net Income From Operations	625,819	371,412
Other Income (Expenses)		
Interest income	6,647	12,957
Federal and state assistance	278,086	59,423
Gain on sale of assets	-	52,002
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(296,502)	(545,340)
Total Net Other Income (Expenses)	(11,769)	(420,958)
Change in Net Position	614,050	(49,546)
Net Position, Beginning of Year, as previously stated	7,832,782	7,907,205
Prior Period Adjustment	-	(24,877)
Net Position, Beginning of Year, restated	7,832,782	7,882,328
Net Position, End of Year	$ 8,446,832	$ 7,832,782

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2022	2021
Cash Flows From Operating Activities		
Cash receipts from customers and other sources	$ 3,885,370	$ 3,613,926
Cash payments to suppliers for goods and services	(2,110,580)	(1,731,618)
Cash payments to employees for services	(519,499)	(505,878)
Net Cash Provided By Operating Activities	1,255,291	1,376,430
Cash Flows From Capital and Related Financing Activities		
Purchases of fixed assets	(925,044)	(444,704)
Proceeds from sale of fixed assets	-	52,002
Federal and state assistance for capital projects	278,086	59,423
Loan proceeds	684,874	15,700
Principal paid on debt	(589,908)	(7,791,577)
Interest paid on debt	(399,283)	(523,632)
Net Cash Used By Capital and Related Financing Activities	(951,275)	(8,632,788)
Cash Flows From Investing Activities		
Interest income	6,647	12,957
Investments held for debt refunding	-	7,226,886
Net change in restricted debt service investments	11,792	115,247
Net Cash Provided By Investing Activities	18,439	7,355,090
Net Increase In Cash, Cash Equivalents and Restricted Cash	322,455	98,732
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,497,797	1,399,065
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,820,252	$ 1,497,797

Reconciliation to the Statement of Net Position	2022	2021
Cash and cash equivalents	$ 900,510	$ 693,448
Restricted checking and savings accounts	919,742	804,349
Total Cash, Cash Equivalents and Restricted Cash	$ 1,820,252	$ 1,497,797

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30,	2022	2021
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	$ 625,819	$ 371,412
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	833,738	816,459
(Increase) decrease in:		
Accounts receivable	(2,768)	(17,271)
Inventory	(99,085)	(21,777)
Prepaid insurance	69,709	(7,522)
Deferred outflows related to pension	107,481	56,534
Increase (decrease) in:		
Trade accounts payable	(137,496)	88,013
Sales tax payable	1,242	1,497
Payroll taxes and withholdings payable	(631)	(2,096)
Accrued payroll	2,052	1,823
Accrued compensated absences	996	(2,113)
Unearned revenue	6,293	-
Customer meter deposits	10,673	6,810
Net pension liability	(483,759)	87,304
Deferred inflows related to pension	321,027	(2,643)
Net Cash Provided By Operating Activities	$ 1,255,291	$ 1,376,430

Supplemental Schedule of Noncash Capital and Related Financing Activities		
Cost of acquisition and construction of capital assets	$ 925,044	$ 492,211
Acquired with bank loan	-	(47,507)
Cash used for acquisition and construction of capital assets	$ 925,044	$ 444,704

See accompanying notes to financial statements.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

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

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 to service 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, 2022 and 2021.

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. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

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

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

1. Summary of Significant Accounting Policies (continued)

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.

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, 2022 and 2021, the Board had $7,974 and $6,978 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:

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

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

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

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

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

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.

1. Summary of Significant Accounting Policies (continued)

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.

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred.

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

With the exception of GASB No. 87 (see Note 5), these statements did not have any impact on the Board's financial statements.

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021. The bank balances and carrying amount of the Board's deposits held were as follows:

	At November 30, 2022		At November 30, 2021	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 356,216	$ 356,216	$ 352,779	$ 352,757
Collateralized - held by pledging bank or pledging bank's trust department in the Board's name	1,813,262	1,463,853	1,165,669	1,144,857
Cash on hand	-	183	-	183
Total	$ 2,169,478	$ 1,820,252	$ 1,518,448	$ 1,497,797

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

As Of November 30,	**2022**	**2021**
Cash and cash equivalents	$ 900,510	$ 693,448
Restricted checking and savings accounts	919,742	804,349
Total	$ 1,820,252	$ 1,497,797

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

2. Deposits and Investments (continued)

Investments

The Board's investments consist of the following:

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		

As of November 30, 2021		Market	Weighted Avg. Maturity	Credit Rating
Bond Funds				
Interest Bearing Money Market		91,226	N/A	N/A
Government Money Market		381,018	52 days	AAA
Certificate of deposit		218,124	485 days	N/A
Total	$	690,368		

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

As Of November 30,		2022		2021
Restricted certificates of deposit	$	218,124	$	218,124
Restricted investments		460,452		472,244
Total	$	678,576	$	690,368

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, 2022:

	Level 1	Level 2	Level 3	Total
Interest Bearing Money Market	$ 78,233	$ -	$ -	$ 78,233
Government Money Market	382,219	-	-	382,219
Certificate of deposit	218,124	-	-	218,124
Total	$ 678,576	$ -	$ -	$ 678,576

3. Restricted Accounts

Restricted cash and cash equivalents, restricted certificates of deposit and restricted investments are restricted by the various board ordinances of the Board, and laws. Expenditures from these accounts are restricted to improvements and betterments to the distribution system, paying the principal and interest on the bonds, and the trustee's and paying agent's fees and refunds of customer deposits. At November 30, 2022 and 2021, restricted accounts consisted of the following:

As of November 30,	2022	2021
Restricted checking and savings:		
Reserve Fund	$ 102,433	$ 100,837
Depreciation Reserve	816,930	703,212
Unspent ANRC bond proceeds	379	300
Total restricted checking and savings	$ 919,742	$ 804,349

3. Restricted Accounts (continued)

As of November 30,		2022		2021
Restricted certificate of deposit:				
Reserve Fund	$	218,124	$	218,124
Total restricted certificate of deposit	$	218,124	$	218,124
Restricted investments				
2020 Water Refunding Bonds - Series A, Bond Fund	$	266,206	$	264,631
2015 Water Revenue Refunding Bonds, Bond Fund		78,233		91,226
2013 Construction Bonds, Bond Fund		87,082		87,139
2020 Water Refunding Bonds - Series B, Bond Fund		28,931		29,248
Total restricted investments	$	460,452	$	472,244

4. Capital Assets

Activity of capital assets consists of the following:

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
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

As Of		December 1, 2020		Additions		Retirements		November 30, 2021
Land	$	60,000	$	-	$	-	$	60,000
Buildings		164,608		-		-		164,608
Distribution System		30,977,037		177,679		-		31,154,716
Equipment and tools		197,116		102,504		90,000		209,620
Transportation equipment		380,409		47,507		-		427,916
Office furniture and equipment		110,325		-		-		110,325
Construction in progress		-		164,521		-		164,521

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

4. Capital Assets (continued)

As Of	December 1, 2020	Additions	Retirements	November 30, 2021
Total capital assets	31,889,495	492,211	90,000	32,291,706
Less accumulated depreciation	12,671,365	816,459	90,000	13,397,824
Capital assets, net	$ 19,218,130	$ (324,248)	$ -	$ 18,893,882

Construction in progress of $704,918 at November 30, 2022 is for upgrading four pump stations and repainting five tanks. The total estimated cost of the project is $1,500,000 which will be funded with the approved 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.

Construction in progress of $164,521 at November 30, 2021 was primarily for the water main relocation project at Highway 23 and 127. The project was completed in February 2022 and primarily funded by the Arkansas Department of Transportation (See Note 12).

5. Lease

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 two years at November 30, 2022. Total rental expense remaining on the term of the lease is approximately $1,190 at November 30, 2022. 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, 2022 and 2021. Variable usage expenses paid on the lease during the years ended November 30, 2022 and 2021, were $3,762 and $477, 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,	2022	2021
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.	$ 1,385,958	$ 1,418,723
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.	1,226,970	1,261,418
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. Bond interest is paid semi-annually on June 1 and December 1. These bonds bear interest between 1.25% and 4.00% and mature in December 2039. The bonds are secured by revenues.	1,885,000	1,975,000
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.	6,745,000	7,090,000
Series 2020B - in the amount of $790,000, will be used to retire the ANRC 2009 Series A & B Construction Bonds and the ANRC 2016 Series Construction Bonds. Principal and interest payments, at 1.9%, are due annually on June 1, with final maturity June 2036. The bonds are secured by revenues.	665,000	710,000
ANRC Water Revenue Bonds, Series 2020 allows for borrowings up to $1,300.000. 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 October 2041 and are secured by revenues.	700,574	15,700

6. Long-Term Debt (continued)

As Of November 30,	2022	2021
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 note is secured by the vehicles which have a carrying value of $7,715 at November 30, 2022.	8,252	17,736
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 note is secured by the vehicle which has a carrying value of $4,948 at November 30, 2022.	6,175	11,564
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 $8,910 at November 30, 2022.	10,706	16,731
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 note is secured by the vehicle which has a carrying value of $28,304 at November 30, 2022.	12,073	24,856
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 $36,422 at November 30, 2022.	32,096	41,110
Total	12,677,804	12,582,838
Less current maturities	(655,327)	(586,864)
Plus: unamortized bond premium	15,340	16,242
Long-Term Debt	$ 12,037,817	$ 12,012,216

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

6. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

	Direct Placements		Direct Borrowings	
November 30,	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 490,000	$ 256,782	$ 165,327	$ 132,226
2024	505,000	243,912	142,149	127,013
2025	520,000	230,630	141,606	122,571
2026	535,000	217,013	138,254	118,154
2027	555,000	202,965	139,783	113,880
2028-2032	2,970,000	782,614	768,297	500,018
2033-2037	2,820,000	351,935	669,519	338,358
2038-2042	900,000	34,857	689,853	191,872
2043-2047	-	-	528,016	45,653
Total	$ 9,295,000	$ 2,320,708	$ 3,382,804	$ 1,689,745

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. Changes in Long-Term Liabilities

Changes in long-term liabilities consists of the following:

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	-	483,759	184,624	-
Total	$ 13,251,221	$ 684,874	$ 1,073,667	$ 12,862,428	$ 655,327

MADISON COUNTY WATER FACILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

7. Changes in Long-Term Liabilities (continued)

As Of		December 1, 2020		Additions		Retirements		November 30, 2021		Due Within One Year
USDA RD	$	1,449,169	$	-	$	30,446	$	1,418,723	$	31,621
Bond Series 2014		7,225,000		-		7,225,000		-		-
Bond Series 2015		2,060,000		-		85,000		1,975,000		90,000
Bond Series 2020A		7,425,000		-		335,000		7,090,000		345,000
Bond Series 2020B		755,000		-		45,000		710,000		45,000
ANRC 2013 Series A		1,294,541		-		33,123		1,261,418		34,448
ANRC 2020		-		15,700		-		15,700		-
Arvest:										
08/20/18 note		26,028		-		8,292		17,736		9,465
11/26/18 note		16,256		-		4,692		11,564		5,343
07/20/19 note		38,195		-		13,339		24,856		10,909
06/18/20 note		22,019		-		5,288		16,731		6,044
08/12/21 note		-		47,507		6,397		41,110		9,034
Net pension liability		581,079		87,304		-		668,383		-
Total	$	20,892,287	$	150,511	$	7,791,577	$	13,251,221	$	586,864

8. Commitments and Contingencies

The Trust Indenture of the 2014, 2015 and 2020 Series Bonds contains a provision (the Rate Covenant) which requires the Board to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 110% of the debt service requirements for the current fiscal year of all outstanding Bonds and Parity obligations and to meet various other general requirements. For the years ended November 30, 2022 and 2021, the Board had satisfied all the covenants of the Bond Trust Indenture.

9. Bond Issuance Discount and Premium / Defeasance of Debt

The reoffering premium incurred in connection with the 2015 Water Revenue Refunding Bonds is being amortized over 24 years. Amortization of the bond premium was $902 for both years ended November 30, 2021 and 2020, and is net with interest expense in the Statement of Activities. The 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 $347,186 and $375,772 at November 30, 2022 and 2021, 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 $28,586 and $29,195 for the years ended November 30, 2022 and 2021, respectively, and is included in interest and fees on long-term debt in the Statement of Activities.

10. Prior Period Adjustments

A prior period adjustment was made to accurately reflect the debt for the purchase of two trucks in 2021. The debt was previously recorded as a lease but has been properly reflected as long-term debt in the accompanying financial statements. The effect of this adjustment was to reclass the $9,034 current portion of capital lease obligation to current maturity of long-term debt and reclass the $32,076 capital lease obligation to long-term debt, net of unamortized bond premium.

A second prior period adjustment was made to reflect previously unrecorded activity in a restricted bond proceeds account. The effect of this adjustment was to increase construction in progress and increase long-term debt by $15,700.

A third prior period adjustment was made to reflect unearned revenue for tap fees where the funds had been collected and recorded as revenues, but the work to install the taps had not been performed. The effect of this entry was to increase unearned revenue and decrease net position by $24,877.

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.

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; two members who retired from the system, including one that is a retired law enforcement officer who is appointed by the President Pro Tempore of the Senate; and two members who retired form the system, including one that is a retired law enforcement officer who is appointed by the Speaker of the House of Representatives.

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.

11. Arkansas Public Employees Retirement System (continued)

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%

Benefits Provided (continued)

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.

11. Arkansas Public Employees Retirement System (continued)

Contributions

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

Contributions made by the Board were $78,588 and $76,354 for the years ended November 30, 2022 and 2021, respectively.

APERS Fiduciary Net Position

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

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2021, 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, 2021 was 0.02401351%.

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, 2021 and the Board's report ending date of November 30, 2022, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%

11. Arkansas Public Employees Retirement System (continued)

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 to 2030 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

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

11. Arkansas Public Employees Retirement System (continued)

Single Discount Rate

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

For the purpose of the June 30, 2021 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 1.92% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

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

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

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

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	$ 552,282	$ 184,624	$ (119,009)

11. Arkansas Public Employees Retirement System (continued)

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

The Board's proportionate share of pension expense was $23,338 as of the measurement date of June 30, 2021. At November 30, 2022, the Board had an accrued APERS liability of $2,988 for the Board's legally required contribution. At November 30, 2022, 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	$ 4,225	$ 11,841
Changes in assumptions	-	1,293
Net difference between projected and actual earnings on pension plan investments	-	324,077
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,572	8,788
Board contributions subsequent to the measurement date	110,016	-
Total	$ 128,813	$ 345,999

$128,813 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, 2023, 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 Decrease in Pension Expense
2023	$ (79,723)
2024	(72,439)
2025	(76,692)
2026	(98,348)
	$ (327,202)

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 $59,423 from FEMA during the year ended November 30, 2021 for relocation of a water line at Cobb Creek. The project was completed in July 2022 at a total cost of $80,697.

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 14.7% and 12.5% of total water sales for the years ending November 30, 2022 and 2021, 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, 2022 and 2021 were respectively $135,013 and $166,602.

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, 2022 through March 1, 2023, 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, 2022

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Board's proportion of the net pension liability	0.02401351%	0.02334077%	0.02408589%	0.02383904%	0.02329936%
Board's proportionate share of the net pension liability	$ 184,624	$ 668,383	$ 581,079	$ 525,874	$ 602,088
Board's covered-employee payroll	$ 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	38.50%	146.76%	126.07%	117.77%	143.38%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%

Schedule of Required Contributions Last Fiscal Year

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	$ 73,463	$ 69,770	$ 70,613	$ 65,863	$ 60,889
Contributions in relation to the contractually required contribution	$ (73,463)	$ (69,770)	$ (70,613)	$ (65,863)	$ (60,889)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	479,525	455,420	460,918	446,525	419,925
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	14.75%	14.50%

See independent auditor's report.

MADISON COUNTY WATER FACILITIES BOARD

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

FOR THE YEAR ENDED NOVEMBER 30, 2022

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, 2017 through June 30, 2020
June 30, 2021 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

3. Changes in actuarial assumptions:

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Single Discount Rate	7.15%	7.15%	7.15%	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.15%
Municipal Bond Rate	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
Salary Increases	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-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, 2022

Number of residential customers - 4,111

Number of agricultural customers - 281

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, 2022, 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 March 1, 2023, 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.

2594 E. Joyce Blvd., Suite 1
Fayetteville, Arkansas 72703
Ph: 479.444.8200 email: marcl@selectlanding.com
www.selectcpa.com

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
March 1, 2023