

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT  
OF THE STATE OF ARKANSAS  
Avoca, Arkansas  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2020 and 2019  
and  
INDEPENDENT AUDITOR'S REPORT**

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT  
OF THE STATE OF ARKANSAS  
Avoca, Arkansas  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2020 and 2019**

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# BENTON COUNTY WATER DISTRICT #1

## Public Water Authority of the State of Arkansas

P.O.Box 127\*111 East Rose St.\*Avoca, Arkansas 72711\*Phone: 479-636-0002\*Fax: 479-636-7676\*email:water4u@sbcglobal.net

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### MANAGEMENT DISCUSSION AND ANALYSIS

#### JANUARY 1, 2020 THRU DECEMBER 31, 2020

Our discussion and analysis of Benton County Water District #1 Public Water Authority of the State of Arkansas's (the Company) financial performance provides an overview of the Company's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Company's financial statements.

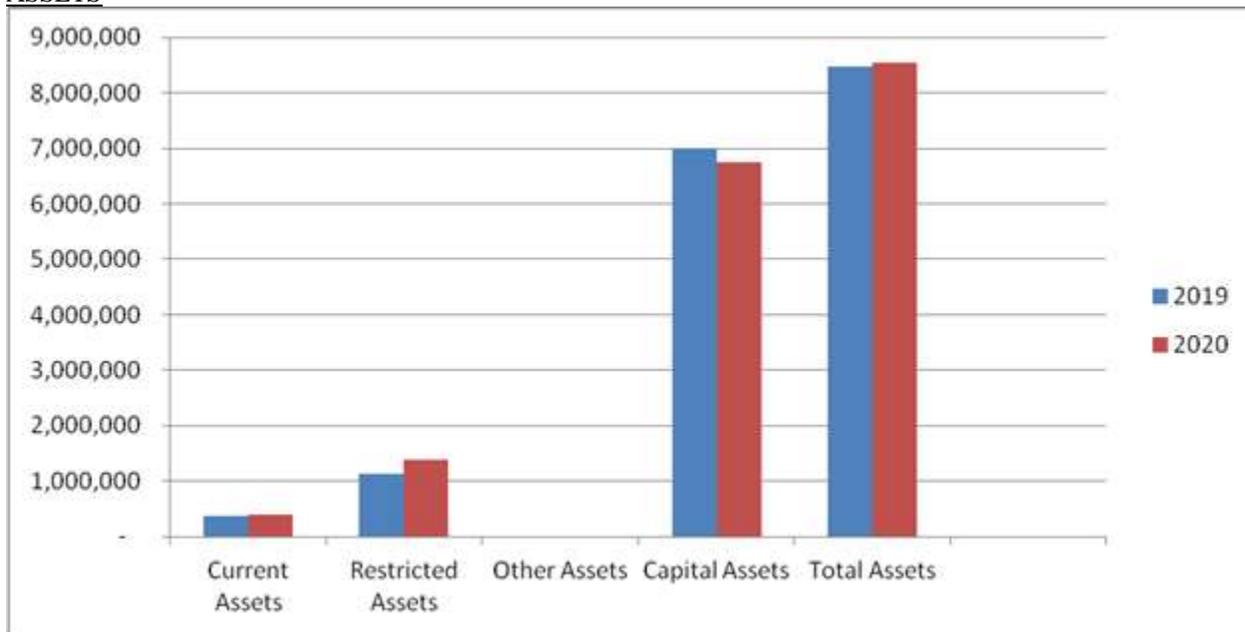
#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the statement of Revenues, Expenses, and Change in Net Assets provide information about the activities of the Company and present a longer-term view of the Company's finances. These statements present financial information for the Company using the accrual basis of accounting, which is the same method of accounting used by most private sector organizations.

These two statements report the Company's net assets and changes in them. One way to measure the Company's financial health or financial position would be to measure the assets of the Company – the difference between assets and liabilities. As time progresses, fluctuations in these assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors should be considered to determine the overall health of the Company.

#### FINANCIAL HIGHLIGHTS

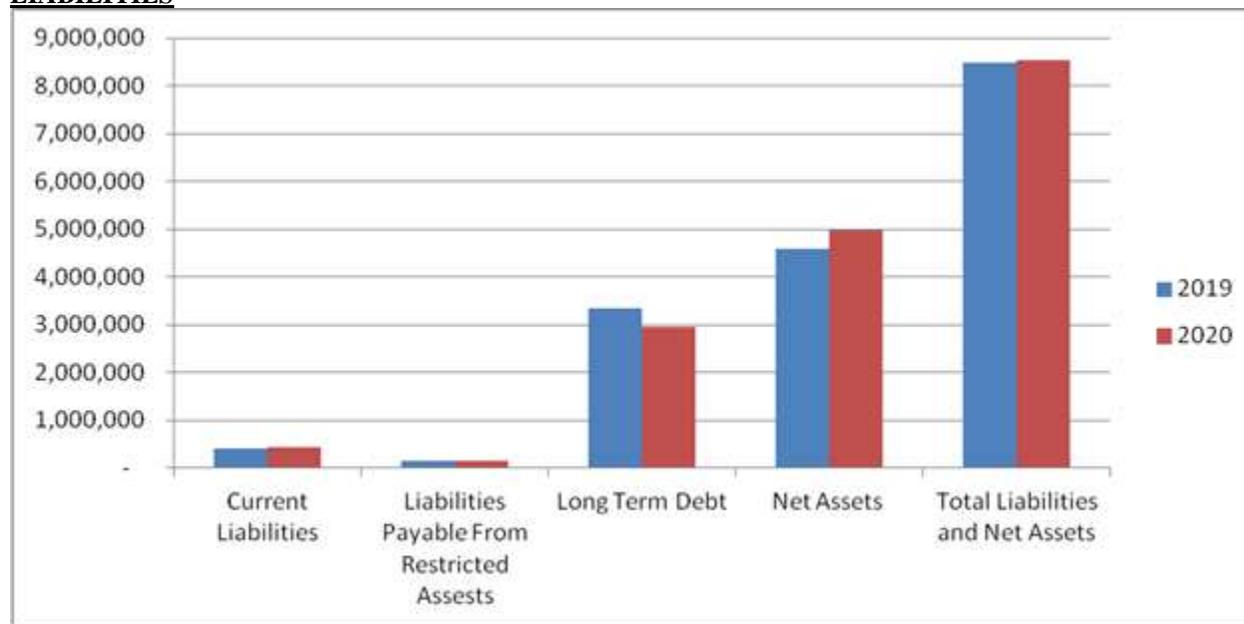
##### ASSETS



As compared to 2019, the balance of total assets did not materially fluctuate (less than 3%). Current Assets were down \$56,894.00 as compared to 2019 due to a cash balance decrease, which was driven by an increase in net income and a decrease in capital expenditures.

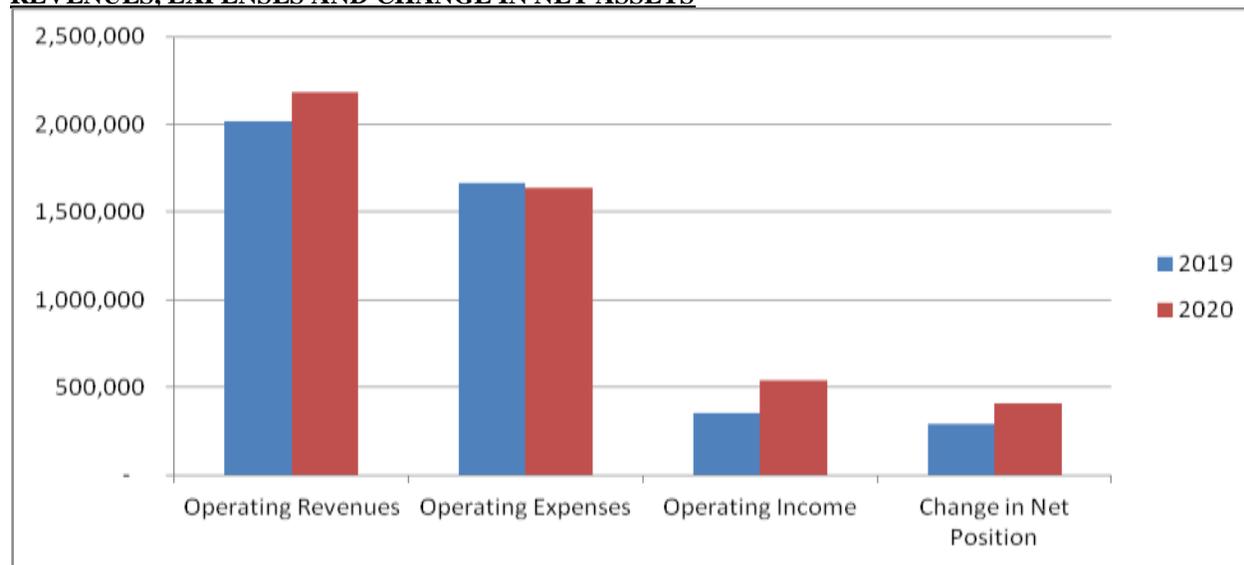
## MANAGEMENT DISCUSSION AND ANALYSIS JANUARY 1, 2020 THRU DECEMBER 31, 2020

### LIABILITIES



As shown in the graphic above, Liabilities and Net Assets at the end of 2020 remained fairly consistent with those balances at the end of 2019. The primary difference was in Long Term Debt; the decrease of \$367,253 was due to debt payments in 2020.

### REVENUES, EXPENSES AND CHANGE IN NET ASSETS



Revenues increased by 8.05% in 2020 as compared to 2019, which was driven by account increases from the prior year and increase in customers and usage in 2020. Operating Expenses were 75.16% of Revenues in 2020 as compared to 82.37% of Revenues in 2019. Change in Net Assets (Net Position) was up due to lower Operating Expenses (as % of Revenue) and higher water sales.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **JANUARY 1, 2020 THRU DECEMBER 31, 2020**

### **CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT**

This financial report and accompanying information are designed to provide our users with a general overview of the Company's finances and to account for the Company's responsibility in managing its resources. If you have questions about this report or need additional financial information, you may contact the company's office at Benton County Water District #1 Public Water Authority of the State of Arkansas.

# **BERRY & ASSOCIATES, P.A.**

## ***Certified Public Accountants***

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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**Benton Country Water District #1  
Public Water District of the State of Arkansas  
Avoca, Arkansas**

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the Benton County Water District #1 Public Water District of the State of Arkansas (the District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Benton County Water District #1 Public Water District of the State of Arkansas as of December 31, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-3 and 19-20 be presented to supplement the financial statements. Such 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 the financial reporting for placing the financial statements in an appropriate operational, economic, or historical

**Benton Country Water District #1  
Public Water District of the State of Arkansas  
Avoca, Arkansas**

**Other Matters (continued)**

*Required Supplementary Information (continued)*

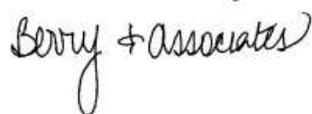
context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information 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*

The Supplementary Information Required by the USDA Rural Development is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by the USDA Rural Development is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.  
Little Rock, Arkansas  
March 26, 2021

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
STATEMENTS OF NET POSITION  
December 31, 2020 and 2019**

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	\$ 192,160	\$ 84,862
Accounts receivable	140,703	208,592
Inventory	48,989	61,667
Prepaid expenses	11,687	5,543
<b>Total Current Assets</b>	<u>393,539</u>	<u>360,664</u>
<b>NON-CURRENT ASSETS</b>		
<b>RESTRICTED ASSETS</b>		
Cash	1,299,822	1,041,895
Certificates of deposit	83,514	83,513
<b>Total Restricted Assets</b>	<u>1,383,336</u>	<u>1,125,408</u>
Capital assets		
Capital assets, net of accumulated depreciation	<u>6,758,502</u>	<u>6,992,411</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,535,377</u>	<u>\$ 8,478,483</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 41,049	\$ 34,272
Current maturities of long term debt	367,000	355,400
Accrued liabilities	27,285	27,833
<b>Total Current Liabilities</b>	<u>435,334</u>	<u>417,505</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer meter deposits	<u>141,265</u>	<u>145,669</u>
<b>Total Current Liabilities</b>	<u>576,599</u>	<u>563,174</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current maturities	<u>2,965,881</u>	<u>3,333,134</u>
<b>TOTAL LIABILITIES</b>	<u>3,542,480</u>	<u>3,896,308</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,425,621	3,303,876
Unrestricted	1,143,442	853,522
Temporarily restricted	423,834	424,777
<b>Total Net Position</b>	<u>4,992,897</u>	<u>4,582,175</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 8,535,377</u>	<u>\$ 8,478,483</u>

The accompanying notes to the financial statements are an integral part of these statements.

**BENTON COUNTY WATER DISTRICT #1**  
**PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Water revenue	\$ 1,762,697	\$ 1,602,172
Penalty charges	25,328	27,174
Right to water revenue	95,070	76,113
Connections and special service revenue	152,540	171,472
Storage capacity fees	145,160	141,415
Total operating revenues	<u>2,180,795</u>	<u>2,018,346</u>
<b>OPERATING EXPENSES</b>		
Bank charges	8,803	7,317
Depreciation & amortization	256,798	243,832
Insurance	143,655	138,573
Legal & professional	12,914	7,140
Licenses and fees	15,433	14,210
Miscellaneous	20,322	8,039
Office expense	16,839	49,191
Payroll	383,154	362,349
Payroll taxes	29,536	29,119
Repairs & maintenance	94,175	135,450
Retirement expense	10,320	10,148
Agent fees	26,356	28,439
Utilities	12,370	15,457
Vehicle expense	18,812	21,566
Water purchases	589,511	591,592
Total operating expenses	<u>1,638,998</u>	<u>1,662,422</u>
<b>OPERATING INCOME</b>	<u>541,797</u>	<u>355,924</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,357	13,135
Other income	-	1,566
Interest expense	(76,833)	(83,328)
Rent income	3,600	3,600
Bad debt expense	(62,199)	-
Net non-operating (expenses)	<u>(131,075)</u>	<u>(65,027)</u>
<b>CHANGE IN NET POSITION</b>	410,722	290,897
<b>NET POSITION - BEGINNING OF YEAR, PREVIOUSLY STATED</b>	<u>4,582,175</u>	<u>4,420,631</u>
Prior period adjustment	-	(129,353)
<b>NET POSITION - BEGINNING OF YEAR, RESTATED</b>	<u>4,582,175</u>	<u>4,291,278</u>
<b>NET POSITION - ENDING OF YEAR</b>	<u>\$ 4,992,897</u>	<u>\$ 4,582,175</u>

The accompanying notes to the financial statements are an integral part of these statements.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 2,229,312	\$ 1,998,974
Cash payments to employees	(383,154)	(362,349)
Payment of general and administrative expenses	(1,033,731)	(1,041,784)
Net cash provided by operating activities:	<u>812,427</u>	<u>598,836</u>
<b>Cash flows from investing activities:</b>		
Purchase of capital assets	(22,891)	(103,545)
Purchases for construction in progress	-	(18,479)
Change in restricted assets	(257,927)	(132,275)
Other income received	3,600	5,166
Interest earned	4,357	13,135
Net cash used by investing activities:	<u>(272,861)</u>	<u>(235,998)</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(355,653)	(474,080)
Proceeds from long-term debt	-	129,830
Interest payments on long-term debt	(76,615)	(84,463)
Net cash provided (used) by capital and related financing activities:	<u>(432,268)</u>	<u>(428,713)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	107,298	(65,875)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>84,862</u>	<u>150,737</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 192,160</u>	<u>\$ 84,862</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 541,797	\$ 355,924
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	256,798	243,832
(Increase) decrease in-		
Accounts receivable	5,690	721
Prepaid expense	(6,143)	5,474
Inventory and other current assets	12,460	(12,744)
Increase (decrease) in-		
Accounts payable	6,777	1,775
Customer deposits	(4,404)	3,995
Accrued liabilities	(548)	(141)
Net cash provided by operating activities:	<u>\$ 812,427</u>	<u>\$ 598,836</u>
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Non-cash capital and related financing activities:		
Removal of bond fees due to GASB 65 changes	<u>\$ -</u>	<u>\$ (129,353)</u>

**The accompanying notes to the financial statements are an integral part of these statements.**

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization**

Benton County Water District #1 Public Water District of the State of Arkansas (the “District”) is a public water District created under the State of Arkansas Act 115 of 2001, whose purpose is to provide water service to customers located in the rural areas of Benton County, Arkansas. The District is governed by a board of five members who are appointed for staggered three-year terms.

Effective for the year ending December 31, 2008, the District pursuant to a resolution of the Board of Directors and the members of the Benton County Water District #1, the Arkansas Nonprofit Corporation Act and Arkansas Code Annotated Section 4-35-201, et set., the District adopted a plan to convert its entity status from that of a nonprofit corporation to a Water District.

**Basis of Presentation and Accounting**

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the District are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

**Estimates**

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

**Inventories**

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

**Income Taxes**

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

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't**

**Capital Assets**

The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	10-40 years
Water and sewer system	5-40 years
Automobiles and equipment	5-15 years
Furniture	5-7 years

**Long-Term Debt and Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance reauthorizing of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**Equity Classifications**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets*- This component of net position consists of 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.

*Temporarily Restricted*- This component of net position consists of 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."

**Budgets and Budgetary Accounting**

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the District. The budget of the District is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperating income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

**Date of Management's Review**

Subsequent events have been evaluated through March 26, 2021 which is the date the financial statements were available to be issued.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't**

**Restricted Assets**

Certain proceeds of the District's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the District are also considered restricted.

**Receivables**

The District has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2020 management had determined that minimal additional accounts needed to be written off.

**NOTE 2 - LONG-TERM DEBT:**

Long-term debt consists of the following:

	2020	2019
Water revenue bond payable to Arkansas Development Finance Authority, \$142,505 due semi annually, including interest at 1.75% and a 1.00% service fee (1)	\$ 2,475,747	\$ 2,688,392
Loan payable to USDA Rural Development, due \$516/month, including interest at 5.50% (2)	59,425	62,264
Water revenue bond payable to Bank of the Ozarks, annual principal payments and semi annual interest payments at 1.2-3.125% (3)	230,000	355,000
Loan payable to USDA Rural Development, due \$2,764/month, including interest at 3.125% (4)	567,709	582,878
	3,332,881	3,688,534
Less Current Portion	(367,000)	(355,400)
Total Long-Term Portion	\$ 2,965,881	\$ 3,333,134

The Arkansas Development Finance District water revenue bond dated September 25, 2008 is a bond with a principal amount of \$4,365,000 bearing 1.75% interest per annum and a 1.00% annual service fee. This is an amortized bond with subsequent semi-annual installments of \$142,505 for principal and interest being made on April 15 and October 15 beginning in 2011. The bond matures in 2030. (1)

The USDA Rural Development loan dated September 21, 1994 in the principal amount of \$100,000 bearing 5.50% interest per annum. This is an amortized loan with subsequent monthly installments of \$516 for principal and interest. The loan matures in 2034. (2)

The water revenue refunding bond series 2012 dated April 17, 2012, is a bond with a principal amount of \$1,145,000 bearing interest at a variable rate per annum. This is an amortized bond with subsequent annual principal payments and semi-annual interest payments. The bond matures in 2022. (3)

The USDA Rural Development loan dated October 3, 2017 in the principal amount of \$755,000 bearing 3.125% interest per annum. This is an amortized loan with subsequent monthly installments of \$2,764 for principal and interest. This loan matures in 2045. (4)

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 2 - LONG-TERM DEBT (con't):**

The annual maturities of long-term debt payable at December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Total</u>
2021	\$ 367,000	\$ 92,526	\$ 24,228	\$ 458,511
2022	343,700	82,233	22,029	459,526
2023	250,500	73,870	19,769	425,933
2024	257,600	66,770	17,447	324,370
2025	265,000	74,958	15,061	324,370
2026-2030	1,441,100	180,702	37,126	1,621,850
2031-2035	134,400	54,235	-	479,862
2036-2040	132,000	33,840	-	165,840
2041-2045	141,581	9,496	-	165,840
	<u>\$ 3,332,881</u>	<u>\$ 668,630</u>	<u>\$ 135,660</u>	<u>\$ 4,426,102</u>

Long-term liability activity for the years ended December 31, 2020 and 2019 is as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>December 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>	<u>One Year</u>
Long Term Debt					
Loans	\$ 645,143	\$ -	\$ (18,009)	\$ 627,134	\$ 18,600
Water Revenue Bonds	3,043,391	-	(337,644)	2,705,747	348,400
	<u>\$ 3,688,534</u>	<u>\$ -</u>	<u>\$ (355,653)</u>	<u>\$ 3,332,881</u>	<u>\$ 367,000</u>

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>December 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2019</u>	<u>One Year</u>
Long Term Debt					
Loans	\$ 662,478	\$ 129,830	\$ (147,165)	\$ 645,143	\$ 17,900
Water Revenue Bonds	3,370,306	-	(326,915)	3,043,391	337,500
	<u>\$ 4,032,784</u>	<u>\$ 129,830</u>	<u>\$ (474,080)</u>	<u>\$ 3,688,534</u>	<u>\$ 355,400</u>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$3,332,881 in loans and revenue bonds. Proceeds from the loans/bonds were used for building of the District's water system and water treatment facility. Principal and interest on the bonds are payable through 2045, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2020 were \$355,653 and \$76,615, respectively. Principal and interest paid in the year ended December 31, 2019 were \$474,080 and \$84,463, respectively.

**NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS:**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provision of state law.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS (con't):**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. Agencies and instrumentality bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision, therefore, which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas. The District maintains separate bank accounts, as required by state statutes.

The Districts cash consists of deposits with financial institutions and certificates of deposit. State statutes govern the District's investment policies. Permissible investments include direct obligation of the U.S. Government, certificates of deposit and savings accounts. The District's deposits are recorded at cost. The carrying amount of deposits and certificates of deposit are displayed on the statement of net position as cash, certificates of deposit and restricted assets.

At December 31, 2020, all of the District's deposits were properly insured and collateralized.

**NOTE 4 – CAPITAL ASSETS:**

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

	Balance at December 31, 2019	Additions	Deletions/ Transfers	Balance at December 31, 2020
Building	\$ 227,772	\$ 22,993	\$ -	\$ 250,765
Construction in Progress	18,479	-	(18,479)	-
Equipment	747,081	-	-	747,081
Office Equipment	81,742	-	-	81,742
Furniture	5,601	-	-	5,601
Land	738,710	-	-	738,710
Water System	9,301,609	-	-	9,301,609
Vehicle	123,411	18,375	-	141,786
	<u>11,244,405</u>	<u>41,368</u>	<u>(18,479)</u>	<u>11,267,294</u>
Accumulated depreciation	<u>(4,251,994)</u>	<u>(256,798)</u>	<u>-</u>	<u>(4,508,792)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 6,992,411</u>	<u>\$ (215,430)</u>	<u>\$ (18,479)</u>	<u>\$ 6,758,502</u>

	Balance at December 31, 2018	Additions	Deletions/ Transfers	Balance at December 31, 2019
Building	\$ 227,772	\$ -	\$ -	\$ 227,772
Construction in Progress	-	18,479	-	18,479
Equipment	644,555	102,526	-	747,081
Office Equipment	80,723	1,019	-	81,742
Furniture	5,601	-	-	5,601
Land	738,710	-	-	738,710
Water System	9,301,609	-	-	9,301,609
Vehicle	123,411	-	-	123,411
	<u>11,122,381</u>	<u>122,024</u>	<u>-</u>	<u>11,244,405</u>
Accumulated depreciation	<u>(4,008,162)</u>	<u>(243,832)</u>	<u>-</u>	<u>(4,251,994)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 7,114,219</u>	<u>\$ (121,808)</u>	<u>\$ -</u>	<u>\$ 6,992,411</u>

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 5–COMMITMENTS:**

The District has made commitments to Deer Haven Utility, LLC (“Deer Haven”) and Dixieland Utility, LLC (“Dixieland”) to bill solid waste fees to customers in the Deer Haven Subdivision and the Dixieland Subdivision. The District agrees to accept payment of solid waste fees that are paid as part of the monthly bills by the District. Monthly payments by customers of the District, Deer Haven, and Dixieland shall first be applied to outstanding water fees to the District for water services and the balance for wastewater fees to Deer Haven and Dixieland. The District remits wastewater fees to Deer Haven and Dixieland every thirty days with a statement showing the sources of the amounts. The District shall receive a fee of \$1 per connection for each monthly invoice billed by the district to Deer Haven and Dixieland customers for wastewater fees. The term of the agreement is July 15, 2020 through June 30, 2021.

**NOTE 6 – RESTRICTED ASSETS:**

Restricted assets consist of the following:

	<u>2020</u>	<u>2019</u>
Water Revenue Bonds		
Debt service reserve fund	331,762	331,055
Bond fund	92,072	93,722
ADFA escrow	47,535	48,181
Board designated funds		
Customer meter deposits	200,762	184,376
Storage capacity funds	-	-
Regions CD	10,285	9,828
Pinnacle bank CD	-	-
Right to Water	341,638	248,124
Short Lived Asset	359,282	210,122
	<u>\$ 1,383,336</u>	<u>\$ 1,125,408</u>

The District issued \$4,365,000 in Water Revenue Bonds, Series 2008. Pursuant to the bond agreement, the District is required to maintain the following accounts with the trustee:

- a. Depreciation reserve fund – The District is required to accrue a depreciation reserve at a rate of 5 percent of monthly revenues beginning October 15, 2010 for the life of the bond.

The District issued \$1,145,000 in Water Revenue Bonds, Series 2012. Pursuant to the bond agreement, the District is required to maintain the following accounts with the trustee:

- a. Debt service reserve fund – The District is required to deposit an amount equal one half of the maximum annual debt service.

- b. Bond fund – The District is required to maintain a bond fund for the purpose of paying debt service on the bonds. The District makes monthly payments into the bond fund, which consist of 1/6<sup>th</sup> of the next installment of interest and 1/12<sup>th</sup> of the next installment of principal. The trustee is authorized to make bond payments from the bond fund as they become due.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 6 – RESTRICTED ASSETS (con't):**

The District borrowed \$755,000 from the United States Department of Agriculture. Pursuant to the loan agreement, the District is required to maintain the following accounts with the trustee:

a. Debt service reserve fund – The District is required to accrue a depreciation reserve at a rate of \$277 a month beginning October 31, 2017 until a total of \$33,168 has accumulated.

**NOTE 7 – OPERATING LEASE:**

The Company entered into a lease agreement with Corporate Business Systems, on February 23, 2015 to lease a copier. The lease term is for a five-year period beginning January 1, 2015 and ending January 1, 2021. The lease expense totaled \$723 for the year ended December 31, 2020 and is recorded in the following expense line item: office expense.

**NOTE 8 – EMPLOYEE BENEFITS:**

The District participates in a section 457 deferred compensation plan administered by the Edward Jones Company. All employees are eligible to participate. The District contributes 3% of the eligible compensation and matches up to 3% of the employee's contribution. For the years ended December 31, 2020 and 2019, contributions by the District were \$10,320 and \$10,148 respectively.

**NOTE 9 – CONTINGENCIES:**

The District is periodically subject to claims and lawsuits that arise during the ordinary course of business. It is the opinion of management that these lawsuits are without merit. No amount has been accrued in these financial statements since the outcome of this matter is uncertain, and since the resulting liability, if any cannot be determined.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT:**

The requirements of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, indicates that debt issuance costs including but not limited to insurance costs, financing costs, and other related costs, should be recognized as an expense in the period incurred. These accounting changes are to be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect should be reported as a restatement of beginning net position.

The District has implemented these accounting changes and found restatement of prior periods not practical. The beginning net position has been restated by the total cumulative effect of \$129,353 for the year ended December 31, 2019.

# **BERRY & ASSOCIATES, P.A.**

## ***Certified Public Accountants***

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

#### **Members of the Board**

**Benton County Water District #1**

**Public Water District of the State of Arkansas**

**Avoca, AR**

We have audited, 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, the financial statements of the Benton County Water District #1 Public Water District of the State of Arkansas, (the District), as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated March 26, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 in 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-01 that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

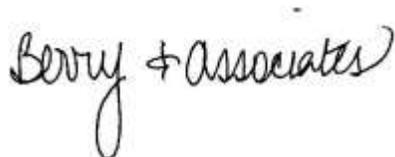
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

**The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

**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.

A handwritten signature in cursive script that reads "Berry & Associates". The signature is written in dark ink and is positioned above the printed name of the firm.

Berry & Associates, P.A.  
Little Rock, Arkansas  
March 26, 2021

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2020**

**2020-01 Internal Control – Segregation of Duties**

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2019.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the Board of Directors should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View of Responsible Official: The District concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the District has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT  
December 31, 2020**

**GOVERNMENT:**

The Benton County Water District #1 Public Water District of the State of Arkansas is governed by a five member board of directors. The records are maintained by the bookkeeper.

<u>Name</u>	<u>Title</u>
Jerry Lovell	President
Ronnie Smith	Vice President
Larry Mills	Director
Peter Van Zandvoord	Director
Jacob Davis	Director
Edwin Cooper	Secretary/Treasurer

**USAGE OF THE WATER AND SEWER SYSTEM:**

The current water and sewer rates are shown in the following schedules:

**WATER RATES:**

GALLONS

All Usage  
(Per 1,000 Gal)  
\$ 7.35

Minimum charge based on meter size

5/8' x 3/4' meter	\$	22.50
1' meter	\$	30.15
2" meter	\$	57.00
4" meter	\$	110.95

As of December 31, 2020, water service was provided to 2,730 users.

Total gallons of water consumed during the year ended December 31, 2020 amounted to 157,257,310.

**ACCOUNTING:**

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are being properly maintained.

**INSURANCE COVERAGE:**

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
<b><u>Property and equipment</u></b>		
Workers Compensation	4/1/2020	Statutory
Walker Brothers Insurance	4/1/2020	
Fidelity Bond	11/22/2020	1,000,000
<b><u>Automotive</u></b>		
Walker Brothers Insurance	4/1/2020	500,000

**BENTON COUNTY WATER DISTRICT #1  
PUBLIC WATER DISTRICT OF THE STATE OF ARKANSAS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Water revenue	\$ 1,662,435	\$ 1,662,435	\$ 1,762,697	\$ 100,262
Penalty charges	23,500	23,500	25,328	1,828
Right to water revenue	75,000	75,000	95,070	20,070
Connections and special service revenue	122,775	122,775	152,540	29,765
Storage capacity fees	136,633	136,633	145,160	8,527
Total operating revenues	<u>2,020,343</u>	<u>2,020,343</u>	<u>2,180,795</u>	<u>160,452</u>
<b>OPERATING EXPENSES</b>				
Bank charges	3,906	3,906	8,803	(4,897)
Depreciation & amortization	60,120	60,120	256,798	(196,678)
Insurance	161,632	161,632	143,655	17,977
Legal & professional	9,500	9,500	12,914	(3,414)
Licenses and fees	9,750	9,750	15,433	(5,683)
Miscellaneous	7,275	7,275	20,322	(13,047)
Office expense	28,220	28,220	16,839	11,381
Payroll	357,779	357,779	383,154	(25,375)
Payroll taxes	33,894	33,894	29,536	4,358
Repairs & maintenance	181,965	181,965	94,175	87,790
Retirement expense	10,651	10,651	10,320	331
Agent fees	-	-	26,356	(26,356)
Utilities	14,000	14,000	12,370	1,630
Vehicle expense	19,250	19,250	18,812	438
Water purchases	640,008	640,008	589,511	50,497
Total operating expenses	<u>1,537,950</u>	<u>1,537,950</u>	<u>1,638,998</u>	<u>(101,048)</u>
<b>OPERATING INCOME</b>	<u>482,393</u>	<u>482,393</u>	<u>541,797</u>	<u>59,404</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income	1,200	1,200	4,357	3,157
Interest expense	-	-	(76,833)	(76,833)
Rent income	-	-	3,600	3,600
Bad debt expense	-	-	(62,199)	(62,199)
Net nonoperating revenues (expenses)	<u>1,200</u>	<u>1,200</u>	<u>(131,075)</u>	<u>(132,275)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 483,593</u>	<u>\$ 483,593</u>	<u>\$ 410,722</u>	<u>\$ (72,871)</u>