

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021
and
INDEPENDENT AUDITOR'S REPORT**

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas

Opinions

We have audited the accompanying financial statements of the Benton/Washington Regional Public Water Authority of the State of Arkansas, as of and for the years ended December 31, 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 the Benton/Washington Regional Public Water Authority of the State of Arkansas as of December 31, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in 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 the Benton/Washington Regional Public Water Authority of the State of Arkansas 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 Responsibility 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 the Authority'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.

Other Matters

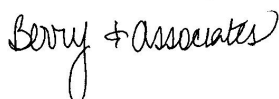
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 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 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.

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 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 operation, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2023 on our consideration of the Benton/Washington Regional Public Water Authority of the State of Arkansas'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 Benton/Washington Regional Public Water Authority of the State of Arkansas's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
April 26, 2023

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2022 and 2021**

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 293,528	\$ 1,647,831
Accounts receivable	1,299,416	948,879
Other receivables	-	138,947
Prepaid expenses	-	10,926
Total current assets	1,592,944	2,746,583
NON-CURRENT ASSETS		
Investments	49,462,593	2,654,684
Intangible assets, net of accumulated amortization of \$1,512,064 and \$1,258,117 in 2022 and 2021, respectively	6,106,323	6,360,270
Capital assets		
Capital assets, net of accumulated depreciation	85,854,167	81,481,690
TOTAL ASSETS	\$ 143,016,027	\$ 93,243,227
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 34,160	\$ 35,267
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	3,470,000	2,505,000
Accounts payable	-	239,000
Retainage payable	205,888	517,947
Accrued interest payable	468,623	252,803
Total current liabilities payable from restricted assets	4,144,511	3,514,750
LONG-TERM DEBT, net of current maturities	116,760,000	71,405,000
TOTAL LIABILITIES	120,938,671	74,955,017
NET POSITION		
Net investment in capital assets	15,086,760	16,586,644
Unrestricted	6,990,596	1,701,566
Total net position	22,077,356	18,288,210
TOTAL LIABILITIES AND NET POSITION	\$ 143,016,027	\$ 93,243,227

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water revenue	\$ 14,744,146	\$ 12,211,461
OPERATING EXPENSES		
Water purchases	31,620	31,720
Payroll expenses	1,867,576	1,612,721
Advertising	4,939	2,449
Chemicals	807,912	590,781
Depreciation	2,969,742	2,663,137
Amortization	253,946	253,947
Office supplies	45,856	36,843
Repairs and maintenance	336,585	351,962
Supplies and tools	14,763	34,507
Auto expense	62,539	53,433
Dues and subscriptions	22,326	24,605
Insurance	487,122	418,366
Other operating expenses	73,632	58,396
Professional fees	79,017	139,774
Telephone	21,461	16,999
Travel	9,031	2,051
Uniforms	7,942	3,398
Utilities	1,481,896	1,188,936
Total operating expenses	<u>8,577,905</u>	<u>7,484,025</u>
OPERATING INCOME	<u>6,166,241</u>	<u>4,727,436</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	375,092	549,702
Interest expense	(3,259,483)	(3,440,473)
Gain on disposal of capital assets	-	13,000
Gain on sale of investments	20,071	-
Unrealized loss on investments	(124,717)	-
Bond premium	1,042,518	307,298
Bond issuance costs	(295,981)	(135,854)
Other income	1,530	7,772
Bad debt expense	(136,125)	-
Net non-operating (expenses)	<u>(2,377,095)</u>	<u>(2,698,555)</u>
CHANGE IN NET POSITION	3,789,146	2,028,881
NET POSITION - BEGINNING OF YEAR	<u>18,288,210</u>	<u>16,259,329</u>
NET POSITION - ENDING OF YEAR	<u>\$ 22,077,356</u>	<u>\$ 18,288,210</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from members	\$ 14,393,609	\$ 12,151,986
Cash payments to suppliers	(4,219,751)	(2,718,646)
Cash payments to employees	(1,568,238)	(1,343,900)
Net cash provided by operating activities	<u>8,605,620</u>	<u>8,089,440</u>
Cash flows from investing activities:		
Net change in investments	(49,314,202)	14,268,811
Proceeds from sale of investments	2,297,000	-
Interest income received	375,092	549,702
Net cash provided (used) by investing activities	<u>(46,642,110)</u>	<u>14,818,513</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,168,571)	(2,324,540)
Proceeds from sale of capital assets	-	13,000
Other income received	1,530	7,772
Costs incurred on construction in progress	(6,173,646)	(14,585,038)
Proceeds from long-term debt	49,265,000	13,745,000
Bond issuance costs	(295,981)	(135,854)
Bond premium	1,042,518	307,298
Principal payments on long-term debt	(2,945,000)	(16,213,041)
Interest payments on long-term debt	(3,043,663)	(3,634,718)
Net cash provided (used) by financing activities	<u>36,682,187</u>	<u>(22,820,121)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,354,303)	87,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,647,831</u>	<u>1,559,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 293,528</u>	<u>\$ 1,647,831</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,166,241	\$ 4,727,436
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,223,688	2,917,084
Provision for bad debt expense	136,125	-
Provision for unrealized loss on investments	124,717	-
Provision for gain on sale of investments	(20,071)	-
(Increase) Decrease in:		
Accounts receivable	(350,537)	(59,476)
Prepaid expenses	10,926	(5,979)
Other receivables	(133,303)	44,715
Increase (Decrease) in:		
Retainage payable	(312,059)	317,033
Accounts payable	(240,107)	148,627
Net cash provided by operating activities	<u>\$ 8,605,620</u>	<u>\$ 8,089,440</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Benton/Washington Regional Public Water Authority of the State of Arkansas (the “Authority”), formally known as Benton/Washington County Water Association (the “Association”), was originally formed in 1992 as a nonprofit organization, under the laws of the State of Arkansas. In 2001, pursuant to the provisions of the Arkansas Code Annotated Section 4-35-201 to 217, the Association was issued a Certificate of Existence changing its legal status to a public water authority. The purpose of the Authority is to engage in activities relating to the acquisition and utilization of water and water storage facilities. The Authority is not included in any other governmental reporting entity, as defined by Governmental Accounting and Financial Reporting Standards.

Basis of Presentation and Accounting

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority’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 Authority is determined by its measurement focus. The transactions of the Authority 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 assets. 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 Authority 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 Authority 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.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Authority 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 assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Accounts Receivable

The Authority 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, during the years ended December 31, 2022 and 2021, management determined that no accounts needed to be written off.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

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

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

<u>Asset</u>	<u>Years</u>
Machinery & Equipment	5-7
Office Equipment	5-7
Vehicles	5
Water Plant	40

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 refundings 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.

Intangible Assets

The Authority amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets include the value placed on the contract that the Authority entered into with the U.S. Corp of Engineers to purchase their supply of water. Amortization expense related to the U.S. Corps of Engineers contract totaled \$253,946 for the year ended December 31, 2022. Estimated annual amortization expense for U.S. Corps of Engineers contract will be approximately \$253,946 through the year 2028 and \$217,375 through the year 2050.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. 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 assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

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."

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Date of Management's Review

Subsequent events have been evaluated through April 26, 2023, which is the date the financial statements were available to be issued.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

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

Budgets and Budgetary Accounting

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

Adoption of FASB ASC 842

Effective January 1, 2022, the Authority adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of FASB ASC 842 did not have a material impact on the Authority's results of operations or cash flows.

NOTE 2 - LONG-TERM DEBT:

	<u>2022</u>	<u>2021</u>
Water Revenue Bonds Series 2019, paid semi-annually with bonds maturing annually through October 2040. (1)	\$ 4,545,000	\$ 4,750,000
Water Revenue Bonds Series 2019B, paid semi-annually with bonds maturing annually through October 2044. (1)	53,485,000	55,415,000
Water Revenue Bonds Series 2021, paid semi-annually with bonds maturing annually through October 2049. (1)	13,375,000	13,745,000
Water Revenue Bonds Series 2022, paid semi-annually with bonds maturing annually through October 2052. (1)	48,825,000	-
	<u>120,230,000</u>	<u>73,910,000</u>
Less Current Portion	<u>(3,470,000)</u>	<u>(2,505,000)</u>
Long Term Portion	<u>\$ 116,760,000</u>	<u>\$ 71,405,000</u>

- (1) The bond has restrictive covenants, including the requirement that a debt service reserve be provided in an amount equal to one-half of the maximum annual debt service requirements on the bonds. This debt service reserve is provided with a municipal bond debt service reserve insurance policy.

The annual maturities of long-term debt payable at December 31, 2022 are as follows

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,470,000	\$ 3,759,283	\$ 7,229,283
2024	3,565,000	3,667,244	7,232,244
2025	3,655,000	3,570,738	7,225,738
2026	3,775,000	3,458,608	7,233,608
2027	3,895,000	3,340,618	7,235,618
2028-2032	21,135,000	15,014,010	36,149,010
2033-2037	24,490,000	11,643,408	36,133,408
2038-2042	25,015,000	7,808,131	32,823,131
2043-2047	18,650,000	3,974,421	22,624,421
2048-2052	12,580,000	1,497,700	14,077,700
	<u>\$ 120,230,000</u>	<u>\$ 57,734,161</u>	<u>\$ 177,964,161</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

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

Long-term liability activity for the years ended December 31, 2022 and 2021 is as follows:

	<u>Balance</u> 12/31/21	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/22	<u>Due Within</u> <u>One Year</u>
Water Revenue Bonds	\$ 73,910,000	\$ 49,265,000	\$ (2,945,000)	\$ 120,230,000	\$ 3,470,000
	<u>Balance</u> 12/31/20	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/21	<u>Due Within</u> <u>One Year</u>
Loans	\$ 6,203,041	\$ -	\$ (6,203,041)	\$ -	\$ -
Water Revenue Bonds	<u>70,175,000</u>	<u>13,745,000</u>	<u>(10,010,000)</u>	<u>73,910,000</u>	<u>2,505,000</u>
	<u>\$ 72,560,000</u>	<u>\$ 13,745,000</u>	<u>\$ (16,213,041)</u>	<u>\$ 73,910,000</u>	<u>\$ 2,505,000</u>

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$120,230,000 in water revenue bonds. Proceeds from the bonds were used for building the Authority's water system and for refunding current obligations. Principal and interest on the bonds are payable through 2052, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2022 were \$2,945,000 and \$3,043,663, respectively. Principal and interest paid in the year ended December 31, 2021 were \$16,213,041 and \$3,634,718, respectively.

NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the Authority's name. The deposited funds were properly insured at December 31, 2022 and 2021.

NOTE 4 - COMMITMENTS:

The Authority started a construction project for water treatment plant improvements during the year ended December 31, 2021. The Authority has entered into a contract with an engineering firm for the amount of \$4,128,400 and total costs of \$1,851,500 were incurred on this contract as of December 31, 2022. The Authority has entered into a contract with a construction company for the amount of \$12,726,000 and total costs of \$1,036,390 were incurred on this contract as of December 31, 2022.

The Authority started a construction project for a lagoon expansion during the year ended December 31, 2021. The Authority has entered into a contract with an engineering firm for the amount of \$115,000 and total costs of \$115,000 were incurred on this contract as of December 31, 2022. The Authority has entered into a contract with a construction company for the amount of \$4,125,000 and total costs of \$3,374,855 were incurred on this contract as of December 31, 2022.

NOTE 5 - EMPLOYEE BENEFIT PLAN:

The Authority has a 457 plan, for all eligible employees. Participants become 100% vested in the plan after one year of service. The Authority makes annual contributions to the plan, matching employee contributions, up to 6% of compensation for all eligible employees. During the years ended December 31, 2022, and 2021, the Authority made contributions of \$53,391 and \$55,739, respectively.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 6 – CAPITAL ASSETS:

A summary of changes in property, plant, and equipment for the years ended December 31, 2022 and 2021 are as follows:

	Balance 12/31/2021	Additions	Deletions/ Transfers	Balance 12/31/2022
Land	\$ 269,711	\$ -	\$ -	\$ 269,711
Lab equipment	69,166	-	-	69,166
Office equipment	59,622	1,678	-	61,300
Machinery and equipment	553,900	98,401	-	652,301
Vehicles	243,250	-	-	243,250
Water treatment plant	101,074,703	14,587,412	-	115,662,115
Construction in progress	15,816,260	6,173,646	(13,518,917)	8,470,989
Total	<u>118,086,612</u>	<u>\$ 20,861,137</u>	<u>\$ (13,518,917)</u>	<u>125,428,832</u>
Less: Accumulated depreciation	(36,604,922)			(39,574,665)
Total capital assets	<u>\$ 81,481,690</u>			<u>\$ 85,854,167</u>

	Balance 12/31/2020	Additions	Deletions/ Transfers	Balance 12/31/2021
Land	\$ 269,711	\$ -	\$ -	\$ 269,711
Lab equipment	69,166	-	-	69,166
Office equipment	56,393	3,229	-	59,622
Machinery and equipment	469,684	84,216	-	553,900
Vehicles	227,457	61,946	(46,153)	243,250
Water treatment plant	92,279,134	8,795,569	-	101,074,703
Construction in progress	7,851,642	14,585,038	(6,620,420)	15,816,260
Total	<u>94,875,598</u>	<u>\$ 23,529,998</u>	<u>\$ (35,599)</u>	<u>118,086,612</u>
Less: Accumulated depreciation	(33,987,938)			(36,604,922)
Total capital assets	<u>\$ 63,295,494</u>			<u>\$ 81,481,690</u>

NOTE 7 – SOURCES AND USES OF FUNDS:

In March 2022, the Authority issued new debt of \$49,265,000 with the Water Revenue Refunding Bonds, Series 2022.

The sources and uses of funds required for the transaction are shown below.

<u>Sources</u>	
Principal Amount of Series 2022 Bonds	\$ 49,265,000
Net Original Issue Premium	1,707,595
	<u>\$ 50,972,595</u>
<u>Uses</u>	
Project Construction Fund	\$ 50,125,820
Reserve Policy Premium	33,724
Bond Insurance Premium	147,973
Underwriter's Discount	665,078
	<u>\$ 50,972,595</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 7 – SOURCES AND USES OF FUNDS (con't):

In October 2021, the Authority refunded the Water Revenue Refunding and Construction Bonds, Series 2016 of \$8,035,068 with new debt of \$13,745,000 issued by the Water Revenue Refunding Bonds, Series 2021. A separate portion of the new debt, \$6,139,676, was used to prepay and discharge the Water Storage Indebtedness with the U.S. Army Corps of Engineers.

The sources and uses of funds required for the transaction are shown below.

<u>Sources</u>	
Principal Amount of Series 2021 Bonds	\$ 5,225,000
Net Original Issue Premium	24,952
Available from Issuer Contribution	394,522
	\$ 5,644,474
<u>Uses</u>	
Series 2016 Bonds Refunding Costs	\$ 398,705
Series 2007 Bonds Refunding Costs	4,973,703
Debt Service Reserve	138,065
Costs of Issuance	55,626
Underwriter's Discount	78,375
	\$ 5,644,474

NOTE 8 – INVESTMENTS:

FASB Accounting Standards Codification (ASC) 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the FASB fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the entity's investments are determined to be Level 1.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Bonds	\$ 49,462,593	\$ -	\$ -	\$ 49,462,593

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 8 – INVESTMENTS (con't):

The amortized cost of securities and their approximate fair values is as follows:

	<u>Costs</u>	<u>Unrealized Holding (Loss)</u>	<u>Fair Value</u>
Securities available for sale	\$ <u>49,587,311</u>	\$ <u>(124,718)</u>	\$ <u>49,462,593</u>

The authority uses the specific identification method to determine the cost of securities.

SUPPLEMENTARY INFORMATION



**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***

**Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

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/Washington Regional Public Water Authority of the State of Arkansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Benton/Washington Regional Public Water Authority of the State of Arkansas's financial statements and have issued our report thereon dated April 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

**To the Board of Directors of
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

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.



Berry & Associates, P.A.
Little Rock, Arkansas
April 26, 2023

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Water revenue	\$ 12,756,000	\$ 12,756,000	\$ 14,744,146	\$ 1,988,146
OPERATING EXPENSES				
Water purchases	-	-	31,620	(31,620)
Payroll expenses	2,369,963	2,369,963	1,867,576	502,387
Advertising	-	-	4,939	(4,939)
Chemicals	695,200	695,200	807,912	(112,712)
Depreciation	-	-	2,969,742	(2,969,742)
Amortization	-	-	253,946	(253,946)
Office supplies	42,000	42,000	45,856	(3,856)
Repairs and maintenance	353,500	353,500	336,585	16,915
Supplies and tools	47,500	47,500	14,763	32,737
Auto expense	57,500	57,500	62,539	(5,039)
Dues and subscriptions	17,500	17,500	22,326	(4,826)
Insurance	120,000	120,000	487,122	(367,122)
Other operating expenses	32,000	32,000	73,632	(41,632)
Professional fees	45,000	45,000	79,017	(34,017)
Telephone	20,000	20,000	21,461	(1,461)
Travel	7,500	7,500	9,031	(1,531)
Uniforms	5,000	5,000	7,942	(2,942)
Utilities	1,133,000	1,133,000	1,481,896	(348,896)
Total Operating Expenses	<u>4,945,663</u>	<u>4,945,663</u>	<u>8,577,905</u>	<u>(3,632,242)</u>
OPERATING INCOME	<u>7,810,337</u>	<u>7,810,337</u>	<u>6,166,241</u>	<u>(1,644,096)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5,000	5,000	375,092	370,092
Interest expense	(4,489,535)	(4,489,535)	(3,259,483)	1,230,052
Gain on sale of investments	-	-	20,071	20,071
Unrealized loss on investments	-	-	(124,717)	(124,717)
Bond premium	-	-	1,042,518	1,042,518
Bond issuance costs	-	-	(295,981)	(295,981)
Other income	-	-	1,530	1,530
Bad debt expense	-	-	(136,125)	(136,125)
Net Non-Operating Revenues (Expenses)	<u>(4,484,535)</u>	<u>(4,484,535)</u>	<u>(2,377,095)</u>	<u>2,107,440</u>
CHANGE IN NET POSITION	<u>\$ 3,325,802</u>	<u>\$ 3,325,802</u>	<u>\$ 3,789,146</u>	<u>\$ 463,344</u>