

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2021 and 2020
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, 2021 and 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

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

Report on the Financial Statements

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, 2021 and 2020, 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 as listed in the table of contents.

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/Washington Regional Public Water Authority of the State of Arkansas as of December 31, 2021 and 2020, 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.

*11225 Huron Lane, Suite 212 • Little Rock, AR 72211 • 501-227-9044 • Fax 501-227-8791 •
jberry@berryassociatescpa.com
2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 972-437-2919
2088 Main Street, Suite A • Madison, MS 39110 • 601-383-0119*

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

Other Matters

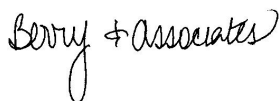
Required Supplementary Information

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 February 28, 2022 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
February 28, 2022

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2021 and 2020**

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,647,831	\$ 1,559,999
Accounts receivable	948,879	889,404
Other receivables	138,947	183,662
Prepaid expenses	10,926	4,947
Total current assets	2,746,583	2,638,012
NON-CURRENT ASSETS		
Investments	2,654,684	16,923,495
Intangible assets, net of accumulated amortization of \$1,258,117 and \$1,004,171 in 2021 and 2020	6,360,270	6,614,216
Capital assets		
Capital assets, net of accumulated depreciation	81,481,690	67,235,249
TOTAL ASSETS	\$ 93,243,227	\$ 93,410,972
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 35,267	\$ 125,640
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	2,505,000	2,444,900
Accounts payable	239,000	-
Retainage payable	517,947	200,914
Accrued interest payable	252,803	447,048
Total current liabilities payable from restricted assets	3,514,750	3,092,862
LONG-TERM DEBT, net of current maturities	71,405,000	73,933,141
TOTAL LIABILITIES	74,955,017	77,151,643
NET POSITION		
Net investment in capital assets	16,586,644	14,006,185
Unrestricted	1,701,566	2,253,144
Total net position	18,288,210	16,259,329
TOTAL LIABILITIES AND NET POSITION	\$ 93,243,227	\$ 93,410,972

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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water revenue	\$ <u>12,211,461</u>	\$ <u>10,989,723</u>
OPERATING EXPENSES		
Water purchases	31,720	19,739
Payroll expenses	1,612,721	1,597,849
Advertising	2,449	2,033
Chemicals	590,781	598,110
Contract labor	-	1,275
Depreciation	2,663,137	2,443,433
Amortization	253,947	199,602
Office supplies	36,843	26,039
Repairs and maintenance	351,962	597,813
Supplies and tools	34,507	26,922
Auto expense	53,433	35,905
Dues and subscriptions	24,605	14,622
Insurance	418,366	437,135
Other operating expenses	58,396	54,614
Professional fees	139,774	102,316
Telephone	16,999	18,636
Travel	2,051	396
Uniforms	3,398	12,097
Utilities	<u>1,188,936</u>	<u>1,067,357</u>
Total operating expenses	<u>7,484,025</u>	<u>7,255,893</u>
OPERATING INCOME	<u>4,727,436</u>	<u>3,733,830</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	549,702	615,390
Interest expense	(3,440,473)	(3,326,282)
Gain on disposal of capital assets	13,000	3,500
Bond premium	307,298	-
Bond issuance costs	(135,854)	(80,190)
Other income	<u>7,772</u>	<u>599,320</u>
Net non-operating (expenses)	<u>(2,698,555)</u>	<u>(2,188,262)</u>
CHANGE IN NET POSITION	2,028,881	1,545,568
NET POSITION - BEGINNING OF YEAR	<u>16,259,329</u>	<u>14,713,761</u>
NET POSITION - ENDING OF YEAR	<u>\$ <u>18,288,210</u></u>	<u>\$ <u>16,259,329</u></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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from members	\$ 12,151,986	\$ 10,932,454
Cash payments to suppliers	(2,718,646)	(3,500,895)
Cash payments to employees	(1,343,900)	(1,334,889)
Net cash provided by operating activities	<u>8,089,440</u>	<u>6,096,670</u>
Cash flows from investing activities:		
Net change in investments	14,268,811	2,825,124
Interest income received	549,702	615,390
Net cash provided by investing activities	<u>14,818,513</u>	<u>3,440,514</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,324,540)	(886,724)
Proceeds from sale of capital assets	13,000	3,500
Other income received	7,772	599,320
Costs incurred on construction in progress	(14,585,038)	(5,496,465)
Proceeds from long-term debt	13,745,000	6,521,248
Bond issuance costs	(135,854)	(80,190)
Prepaid intangible asset	-	(6,521,248)
Bond premium	307,298	-
Principal payments on long-term debt	(16,213,041)	(2,703,207)
Interest payments on long-term debt	(3,634,718)	(3,305,526)
Net cash used by financing activities	<u>(22,820,121)</u>	<u>(11,869,292)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,832	(2,332,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,559,999</u>	<u>3,892,107</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,647,831</u>	<u>\$ 1,559,999</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,727,436	\$ 3,733,830
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,917,084	2,643,035
(Increase) Decrease in:		
Accounts receivable	(59,476)	(57,269)
Prepaid expenses	(5,979)	1,020
Other receivables	44,715	(183,661)
Increase (Decrease) in:		
Retainage payable	317,033	100,147
Accounts payable	148,627	(140,432)
Net cash provided by operating activities	<u>\$ 8,089,440</u>	<u>\$ 6,096,670</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, 2021 and 2020**

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, 2021 and 2020, management determined that no accounts needed to be written off.

Reclassification

Certain 2020 items may have been reclassified in order to conform with the 2021 financial statement presentation.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

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, 2021. 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 February 28, 2022, 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, 2021 and 2020**

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.

NOTE 2 - LONG-TERM DEBT:

	<u>2021</u>	<u>2020</u>
Water Revenue Bonds Series 2016, paid semi-annually with bonds maturing annually through October 2046. (1)	\$ -	\$ 7,915,000
Water Revenue Bonds Series 2019, paid semi-annually with bonds maturing annually through October 2040. (2)	4,750,000	4,950,000
Water Revenue Bonds Series 2019B, paid semi-annually with bonds maturing annually through October 2044. (3)	55,415,000	57,310,000
Loan payable to U.S. Army Corp of Engineers, due in annual installments of \$318,207, including interest at 2.875% beginning April, 2020 (4)	-	6,203,041
Water Revenue Bonds Series 2021, paid semi-annually with bonds maturing annually through October 2049. (5)	13,745,000	-
	<u>73,910,000</u>	<u>76,378,041</u>
Less Current Portion	<u>(2,505,000)</u>	<u>(2,444,900)</u>
Long Term Portion	<u>\$ 71,405,000</u>	<u>\$ 73,933,141</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.
- (2) 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.
- (3) 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.
- (4) The loan has no restrictive covenants.
- (5) 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.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

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

The annual maturities of long-term debt payable at December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,505,000	\$ 2,027,980	\$ 4,532,980
2023	2,560,000	1,974,952	4,534,952
2024	2,615,000	1,919,313	4,534,313
2025	2,670,000	1,860,807	4,530,807
2026	2,740,000	1,797,927	4,537,927
2027-2031	14,755,000	7,936,818	22,691,818
2032-2036	16,755,000	5,895,146	22,650,146
2037-2041	16,780,000	3,388,784	20,168,784
2042-2046	11,660,000	882,396	12,542,396
2047-2049	870,000	41,562	911,562
	<u>\$ 73,910,000</u>	<u>\$ 27,725,686</u>	<u>\$ 101,635,686</u>

Long-term liability activity for the years ended December 31, 2021 and 2020 is as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	12/31/20	Additions	12/31/21	One Year
Loans	\$ 6,203,041	\$ -	\$ -	\$ -
Water Revenue Bonds	<u>70,175,000</u>	<u>13,745,000</u>	<u>73,910,000</u>	<u>2,505,000</u>
	<u>\$ 76,378,041</u>	<u>\$ 13,745,000</u>	<u>\$ 73,910,000</u>	<u>\$ 2,505,000</u>

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	12/31/19	Additions	12/31/20	One Year
Loans	\$ -	\$ 6,521,248	\$ 6,203,041	\$ 139,900
Water Revenue Bonds	<u>72,560,000</u>	<u>-</u>	<u>70,175,000</u>	<u>2,305,000</u>
	<u>\$ 72,560,000</u>	<u>\$ 6,521,248</u>	<u>\$ 76,378,041</u>	<u>\$ 2,444,900</u>

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$73,910,000 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 2049, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2021 were \$16,213,041 and \$3,634,718, respectively. Principal and interest paid in the year ended December 31, 2020 were \$2,703,207 and \$3,305,526, 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, 2021 and 2020.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 4 – CAPITAL ASSETS:

A summary of changes in property, plant, and equipment for the years ended December 31, 2021 and 2020 are as follows:

	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>101,223,187</u>	<u>\$ 23,529,998</u>	<u>\$ (6,666,573)</u>	<u>118,086,612</u>
Less: Accumulated depreciation	(33,987,938)			(36,604,922)
Total capital assets	<u>\$ 67,235,249</u>			<u>\$ 81,481,690</u>

	Balance 12/31/2019	Additions	Deletions/ Transfers	Balance 12/31/2020
Land	\$ 269,711	\$ -	\$ -	\$ 269,711
Lab equipment	52,585	16,581	-	69,166
Office equipment	48,846	7,547	-	56,393
Machinery and equipment	416,860	52,824	-	469,684
Vehicles	185,197	77,859	(35,599)	227,457
Water treatment plant	91,547,222	731,912	-	92,279,134
Construction in progress	2,355,177	5,496,465	-	7,851,642
Total	<u>94,875,598</u>	<u>\$ 6,383,188</u>	<u>\$ (35,599)</u>	<u>101,223,187</u>
Less: Accumulated depreciation	(31,580,104)			(33,987,938)
Total capital assets	<u>\$ 63,295,494</u>			<u>\$ 67,235,249</u>

NOTE 5 – 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 \$3,968,400 and total costs of \$653,500 were incurred on this contract.

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 \$45,500 were incurred on this contract.

The Authority started a construction project for new parallel transmission lines during the year ended December 31, 2019. The Authority has entered into a contract with an engineering firm for the amount of \$1,353,000 and total costs of \$725,000 were incurred on this contract. The Authority has entered into several contracts with a construction company for the amount of \$13,009,241 and total costs of \$11,932,333 were incurred on these contracts as of December 31, 2021.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 6 – INVESTMENTS:

Investments are composed of debt and equity securities carried at fair value. Fair value of securities is determined by quoted market price. Unrealized gains and losses are included in the net gain or loss on investments in the statement of activities. Investments included the following at December 31:

	<u>2021</u>	<u>2020</u>
Regions Bank 2014 Bond Fund	\$ 158	\$ 158
Regions Bank 2014 Debt Service Reserve Fund	1	1
Regions Bank 2016 Bond Fund	5	116,642
Regions Bank 2016 Debt Service Reserve Fund	1	1
Regions Bank 2016 Construction Fund	5	-
Regions Bank 2019 Debt Service Reserve Fund	1	1
Regions Bank 2019 Bond Fund	88,632	89,270
Regions Bank 2019B Debt Service Reserve Fund	1	1
Regions Bank 2019B Construction Fund	1,449,788	14,810,584
Regions Bank Water Defeasance Escrow (2014); net of defeased bond	-	837,145
Regions Bank 2019B Bond Fund	881,353	1,069,692
Regions Bank 2021 Cost of Issuance	54,534	-
Regions Bank 2021 Bond Fund	180,204	-
Regions Bank 2021 Debt Service Reserve Fund	1	-
	<u>\$ 2,654,684</u>	<u>\$ 16,923,495</u>

NOTE 7 – SOURCES AND USES OF FUNDS:

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	\$ 13,745,000
Net Original Issue Premium	513,473
Available from Issuer Contribution	258,846
	<u>\$ 14,517,319</u>
<u>Uses</u>	
Series 2016 Bonds Refunding Costs	\$ 8,035,068
Water Supply Prepayment Costs	6,139,676
Reserve Policy Premium	9,049
Bond Insurance Premium	56,763
Costs of Issuance	70,588
Underwriter's Discount	206,175
	<u>\$ 14,517,319</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 8 – 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, 2021, and 2020, the Authority made contributions of \$55,739 and \$53,261, respectively.

SUPPLEMENTARY INFORMATION



**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***

Independent Auditor's Report

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, 2021, 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 February 28, 2022.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective 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.

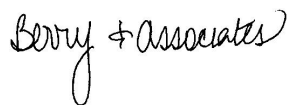
Compliance and Other Matters

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.

A handwritten signature in cursive script that reads "Berry & Associates".

Berry & Associates, P.A.
Little Rock, Arkansas
February 28, 2022

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Water revenue	\$ 9,810,000	\$ 9,810,000	\$ 12,211,461	\$ 2,401,461
OPERATING EXPENSES				
Water purchases	-	-	31,720	(31,720)
Payroll expenses	2,173,470	2,173,470	1,612,721	560,749
Advertising	-	-	2,449	(2,449)
Chemicals	885,400	885,400	590,781	294,619
Depreciation	-	-	2,663,137	(2,663,137)
Amortization	-	-	253,947	(253,947)
Office supplies	59,750	59,750	36,843	22,907
Repairs and maintenance	485,000	485,000	351,962	133,038
Supplies and tools	-	-	34,507	(34,507)
Auto expense	112,115	112,115	53,433	58,682
Dues and subscriptions	17,500	17,500	24,605	(7,105)
Insurance	116,200	116,200	418,366	(302,166)
Other operating expenses	25,700	25,700	58,396	(32,696)
Professional fees	592,500	592,500	139,774	452,726
Telephone	-	-	16,999	(16,999)
Travel	7,500	7,500	2,051	5,449
Uniforms	7,200	7,200	3,398	3,802
Utilities	1,028,600	1,028,600	1,188,936	(160,336)
Total Operating Expenses	<u>5,510,935</u>	<u>5,510,935</u>	<u>7,484,025</u>	<u>(1,973,090)</u>
OPERATING INCOME	<u>4,299,065</u>	<u>4,299,065</u>	<u>4,727,436</u>	<u>428,371</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5,000	5,000	549,702	544,702
Interest expense	(4,489,535)	(4,489,535)	(3,440,473)	1,049,062
Gain on disposal of fixed asset	-	-	13,000	13,000
Bond premium	-	-	307,298	307,298
Bond issuance costs	-	-	(135,854)	(135,854)
Other income	-	-	7,772	7,772
Net Non-Operating Revenues (Expenses)	<u>(4,484,535)</u>	<u>(4,484,535)</u>	<u>(2,698,555)</u>	<u>1,785,980</u>
CHANGE IN NET POSITION	<u>\$ (185,470)</u>	<u>\$ (185,470)</u>	<u>\$ 2,028,881</u>	<u>\$ 2,214,351</u>