

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
FINANCIAL STATEMENTS
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Grand Prairie Regional Water Distribution District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Grand Prairie Regional Water Distribution District, (the "Organization"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic 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 respective financial position, the statement of revenues, expenses and changes in net position, and cash flows of the Organization as of and for the years then ended December 31, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Organization 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 Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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 Budget to Actual Comparison required by accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated, in all material respects, in relation to the basic 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 April 9, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
April 9, 2024

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

This management's discussion and analysis of the financial performance of the Grand Prairie Regional Water Distribution District, the "Organization", provides an overview of the Organization's financial activities for the years ended December 31, 2023, and 2022. The Organization is primarily customer rate funded. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Financial Highlights Discussion

- The Organization's net position decreased by \$32,341 or 0.31% in fiscal year 2023 over 2022. Net position increased by \$443,615 or 4.44% in fiscal year 2022 over 2021.
- The Organization's operating revenues decreased by \$83,655 or 2.74% in fiscal year 2023 over 2022. Operating revenues increased by \$261,773 or 9.38% in fiscal year 2022 over 2021.
- Operating expenses increased by \$170,063 or 6.04% in fiscal year 2023 over 2022. Operating expenses increased by \$255,401 or 9.16% in fiscal year 2022 over 2021.

Fiscal Year 2023 Highlights

- The decrease in operating revenue is largely due to the 2022 having more construction charges than in 2023 (Piney Brake Farms Line Extension). general water sales were up in 2023 vs. 2022 by up \$38,771.
- The number of customers increased by approximately 40 or 0.66% from the prior year. Total number of active users as of December 31, 2023 was 6,094. Total gallons billed for 2023 was 419,450,400 compared to total gallons pumped of 586,716,000 representing a water loss total of approximately 29%.
- Wright Pastoria take over has been completed in fiscal year 2024. Numbers presented in the financial statements do not represent any portion of Wright Pastoria's system but will be in 2024 fiscal year and moving forward.
- The Organization upgraded several equipment items. Several new trucks were purchased, a new backhoe purchased, and tank painting/repair were all completed in 2023.

Using This Annual Report

The Organization's financial statements consist of three statements - a statement of net position; a statement of revenues, expenditures and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Organization, including resources held by the Organization but restricted for specific purposes by creditors. The Organization is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

**GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

December 31, 2023 and 2022

FINANCIAL HIGHLIGHTS

Assets, Liabilities, and Net Position

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Total current assets	\$ 2,521,427	\$ 2,472,767
Total restricted cash and investments	1,026,452	1,144,071
Fixed assets, net of accumulated depreciation	9,053,808	9,380,727
Total assets	<u>\$ 12,601,687</u>	<u>\$ 12,997,565</u>
<u>Liabilities</u>		
Total current liabilities	\$ 127,125	\$ 187,089
Total customer deposits	334,840	327,969
Total long term debt	1,728,661	2,038,301
Total liabilities	<u>\$ 2,190,626</u>	<u>\$ 2,553,359</u>
<u>Net position</u>		
Invested in capital assets, net of related debt	\$ 7,293,967	\$ 7,342,426
Restricted	670,213	787,832
Unrestricted	2,446,881	2,313,948
Total net position	<u>\$ 10,411,061</u>	<u>\$ 10,444,206</u>

Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>
<u>Operating revenues</u>	\$ 2,958,931	\$ 3,051,343
<u>Operating expenses</u>	<u>2,975,817</u>	<u>2,813,707</u>
<u>Income / (loss) from operations</u>	(16,886)	237,636
<u>Other revenue / (expenses)</u>	<u>(16,259)</u>	<u>205,979</u>
<u>Excess (deficit) of revenues over expenses</u>	(33,145)	443,615
<u>Net position, beginning of year</u>	<u>10,444,206</u>	<u>10,000,591</u>
<u>Net position, end of year</u>	<u>\$ 10,411,061</u>	<u>\$ 10,444,206</u>

**GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

December 31, 2023 and 2022

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2023, the Organization's investment in capital assets was \$9,053,808 (net of accumulated depreciation). This investment in capital assets included land, water system assets, buildings and improvements, machinery and equipment, and vehicles.

Major capital asset events include the following:

Capital expenditures for additions and improvements to the Organization were \$573,774 in 2023, as compared to \$505,050 in 2022. Additional information regarding capital assets can be found on Note 4 of this report.

Long-Term Debt

The Organization had \$1,728,661 in long term debt outstanding as of December 31, 2023, which is a decrease of \$309,640 from 2022 resulting from scheduled principal payments. Additional information regarding long-term debt can be found on Note 5 of this report.

Additional Management Comments

The state of Arkansas passed Act 605 to amend the law concerning retail water providers and related services. The changes consisted of training required for board members with less than 10 years of experience, required rate studies every 5 years or sooner depending on capital projects undertaken by each water retail provider, and additional reporting to be submitted to Arkansas Natural Resource Commission. The law also has compliance requirements that each water provider must follow or risk becoming "fiscally distressed". The Organization has been working to ensure compliance with the new law.

In December 2022, Lonoke County awarded the Organization with a grant from the American Rescue Plan Act funds in the amount of \$277,894. These funds are to be used for specific uses stated within the guidelines of the grant. The Organization plans to use the funds to re-paint water tanks in the coming years but has restricted the cash received in a separate account to be used at a later date. As of December 31, 2023, there is a remaining balance of \$111,829 of the ARPA grant funds to be expended.

Looking ahead, debt service payments for the 1995 ANRC bond debt and 1997 ANRC bond debt are set to be fully paid in 2023 and 2024. Debt service payments remaining from 2025 through 2037 are for the Series 2012 Refunding Revenue Bonds only. The total debt service payments in 2023 for principal and interest were \$379,405. In 2025, the debt service payments will be \$182,138. This means that expected cash outflow in the coming years should decrease by approximately \$200,000 starting in 2025 and maintain that decrease as long as no additional debt is incurred.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
STATEMENT OF NET POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,997,194	\$ 1,945,670
Accounts receivable (net)	213,961	225,469
Short term investments	285,762	275,474
Prepaid expenses	24,510	26,154
Total current assets	<u>2,521,427</u>	<u>2,472,767</u>
<u>Restricted cash and investments</u>		
Cash and cash equivalents	726,452	844,071
Short term investments	300,000	300,000
Total restricted cash and investments	<u>1,026,452</u>	<u>1,144,071</u>
<u>Fixed assets, net of accumulated depreciation</u>	<u>9,053,808</u>	<u>9,380,727</u>
Total assets	<u><u>\$ 12,601,687</u></u>	<u><u>\$ 12,997,565</u></u>
<u>Liabilities and Net Position</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 29,365	\$ 76,774
Accrued interest	20,342	23,444
Accrued payroll	64,777	69,989
Accrued sales tax	5,252	12,733
Other accrued expenses	7,389	4,149
Current portion of bonds payable	309,637	309,637
Total current liabilities	<u>436,762</u>	<u>496,726</u>
<u>Long term liabilities</u>		
Bonds payable, net of current amount	1,419,024	1,728,664
Customer deposits	334,840	327,969
Total long term liabilities	<u>1,753,864</u>	<u>2,056,633</u>
<u>Net position</u>		
Invested in capital assets, net of related debt	7,293,967	7,342,426
Restricted	670,213	787,832
Unrestricted	2,446,881	2,313,948
Total net position	<u>10,411,061</u>	<u>10,444,206</u>
Total liabilities and net position	<u><u>\$ 12,601,687</u></u>	<u><u>\$ 12,997,565</u></u>

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

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Operating revenues</u>		
Water sales	\$ 2,863,237	\$ 2,824,466
Connection charges and fees	50,290	100,608
Penalties and late fees	41,843	31,698
Miscellaneous income	2,125	78,116
Other operating revenue	10,193	16,455
Total operating revenue	2,967,688	3,051,343
<u>Operating expenses</u>		
Plant operations and distribution	1,731,024	1,605,601
General and administrative	360,453	353,177
Depreciation	892,293	854,929
Total operating expenses	2,983,770	2,813,707
Income / (loss) from operations	(16,082)	237,636
<u>Other revenue / (expenses)</u>		
Interest income	23,906	6,943
Grant revenue	-	277,863
Gain / (loss) on disposal of fixed assets	29,600	-
Interest expense	(69,765)	(78,827)
Total other revenue / (expenses)	(16,259)	205,979
<u>Excess (deficit) of revenues over expenses</u>	<u>\$ (32,341)</u>	<u>\$ 443,615</u>
<u>Net position, beginning of year</u>	\$ 10,444,206	\$ 10,000,591
Change in net invested in capital assets	(48,459)	(14,122)
Change in restricted assets	(117,619)	(16,026)
Change in unrestricted assets	133,737	473,763
Change in net position	(32,341)	443,615
<u>Net position, end of year</u>	<u>\$ 10,411,865</u>	<u>\$ 10,444,206</u>

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

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 2,960,151	\$ 3,048,491
Payments for salaries and benefits	(1,038,829)	(997,721)
Payments for operating and administrative expenses	(1,103,015)	(1,201,811)
Net cash provided by (used for) operating activities	<u>818,307</u>	<u>848,959</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(573,774)	(505,050)
Proceeds from disposal of property, plant and equipment	38,000	-
Interest income	23,906	6,943
Net cash provided by (used for) investing activities	<u>(511,868)</u>	<u>(498,107)</u>
<u>Cash flows from financing activities</u>		
Proceeds from grant revenue	-	277,863
Principal payments on debt	(309,640)	(304,259)
Interest payments	(69,765)	(78,827)
Change in customer deposits	6,871	(6,310)
Net cash provided by (used for) financing activities	<u>(372,534)</u>	<u>(111,533)</u>
<u>Change in cash and cash equivalents</u>	(66,095)	239,319
<u>Cash and cash equivalents, beginning of year</u>	<u>2,789,741</u>	<u>2,550,422</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 2,723,646</u>	<u>\$ 2,789,741</u>
<u>Cash and cash equivalents</u>	\$ 1,997,194	\$ 1,945,670
<u>Restricted cash and cash equivalents</u>	<u>726,452</u>	<u>844,071</u>
	<u>\$ 2,723,646</u>	<u>\$ 2,789,741</u>

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

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
STATEMENT OF CASH FLOWS (Continued)

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Reconciliation of operating income to</u>		
<u>net cash from operating activities:</u>		
Operating income (loss)	\$ (16,886)	\$ 237,636
Adjustments to reconcile operating income to		
net cash from operating activities:		
Depreciation	892,293	854,929
Changes in assets and liabilities:		
Accounts receivable	11,508	(1,038)
Prepaid expenses	1,644	1,268
Short term investments	(10,288)	(1,814)
Accounts payable	(47,409)	(254,446)
Accrued interest	(3,102)	-
Accrued payroll	(5,212)	2,916
Accrued sales tax	(7,481)	7,962
Other accrued expenses	3,240	1,546
Total adjustments	835,193	611,323
Net cash provided by (used for) operating activities	<u>\$ 818,307</u>	<u>\$ 848,959</u>

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

**GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Grand Prairie Regional Water Distribution District, (the "Organization"), has been designated a public water authority by the state of Arkansas. The Organization is operated by an independent board of directors for the purpose of distributing water to customers in six counties in Arkansas (Prairie, Pulaski, Monroe, Jefferson, Arkansas, Lonoke). The Organization has adopted the provisions of Statement 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Organization. Under the criteria specified in Statement No. 14, the Organization is not a component unit of another entity. The Organization is not financially accountable for any other organization.

B. Fund Type

The Organization is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Organization. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Organization.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Organization applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

D. Use of Estimate

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023 and 2022

E. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, and money market accounts are considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable relate to water service billings and are shown net of an allowance for doubtful accounts. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit and deposits can be offset against the receivable for delinquent billings or returned to the customer when the account is closed. An allowance for doubtful accounts is maintained. The estimated allowance for doubtful accounts as of December 31, 2023 is \$14,418. Bad debts are charged to operations as they are deemed uncollectible.

Investments

The Organization's investments are primarily brokered certificate of deposits. The Organization's practice is to reinvest excess earnings into brokered certificate of deposits in order to reduce the risk of cash deposits within one location and allows for competition to capitalize on the prevailing interest rate of returns at that time. It is the Organization's intentions to hold certificate of deposits until maturity. The Organization has elected to carry the investments at cost on the statement of net position since the cost basis is the amount to be received upon maturity plus any accrued interest. Accrued interest is recorded in the year the interest is earned in the statement of revenue, expenses, and changes in net position.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$5,000.

Compensated Absences

The Organization's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Vacation and sick leave benefits are recognized as an expense when incurred. Any portion of the incurred benefit not paid at the end of the accounting period is recorded as a liability in the financial statements.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

F. Date of Management’s Review

The Organization evaluated its December 31, 2023 financial statements for subsequent events through April 9, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – RECLASSIFICATION

Certain accounts in prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

NOTE 3 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. 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 schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2023.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions’ trust Organization in the Organization’s name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust Organization or agent in the Organization’s name, or collateralized with no written or approved collateralized agreement.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

The level of security for the Organization's bank deposits are as follows:

Depository	2023			
	Total	Category 1	Category 2	Category 3
Bank A	\$ 1,801,903	\$ 250,000	\$ 1,551,903	\$ -
Bank B	570,626	250,000	320,626	-
Bank C	440,000	250,000	190,000	-
Bank D	285,762	250,000	35,762	-
Bank E	220,488	220,488	-	-
Total	<u>\$ 3,318,779</u>	<u>\$ 1,220,488</u>	<u>\$ 2,098,291</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Organization's general ledger balances.

The Organization has certain amounts of its cash accounts restricted at December 31, 2023 and 2022 as follows:

	2023	2022
Meter deposits	\$ 345,661	\$ 337,007
American rescue plan act - Lonoke grant	111,829	277,894
Series 2012 bond depreciation	140,000	140,000
Series 2012 bond debt service	129,168	117,301
Series 2012 bond debt reserve	91,069	91,069
Arkansas Natural Resource Commission depreciation	200,192	160,655
Arkansas Natural Resource Commission debt service	8,533	20,145
Total restricted cash & investments	<u>\$ 1,026,452</u>	<u>\$ 1,144,071</u>

Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Organization or for off-setting any amounts owed by the customer upon departure.

In December 2022, Lonoke County agreed to disburse American Rescue Plan Act, ("ARPA"), grant funding to the Organization. The federal regulation has restrictions on the use of the of the funds and there is also certain time restrictions to spend the funds. Currently all money received is held in a separate bank account and is restricted until future use. As of December 31, 2023, there is a remaining balance of \$111,829 of ARPA grant fund money to be expended.

The Series 2012 bond and the Arkansas Natural Resource Commission (ANRC) bond debt have debt covenants that require cash to be restricted for the covenants stated purpose. Depreciation accounts are restricted for use of replacement of certain equipment securing the bonded indebtedness or for their repairs during the term of the debt. Debt service accounts are for servicing the Organization's indebtedness due within the upcoming year. Debt reserve is to ensure that adequate reserves are in place to protect the debt from cash shortages or defaults in the short term.

It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

NOTE 4 – CHANGES IN FIXED ASSETS

	Balance December 31, 2021	Transfers	Additions	Disposals	Balance December 31, 2022
Land	\$ 144,150	\$ -	\$ -	\$ -	\$ 144,150
Buildings & improvements	354,595	50,553	-	-	405,148
Machinery & equipment	1,894,351	36,508	5,607	-	1,936,466
Vehicles	251,087	-	-	-	251,087
Intangibles	2,486	-	-	(2,486)	-
Water system	27,930,528	(31,497)	499,443	-	28,398,474
Construction in progress	55,564	(55,564)	-	-	-
	30,632,761	-	505,050	(2,486)	31,135,325
Accumulated depreciation	(20,902,155)	-	(854,929)	2,486	(21,754,598)
	<u>\$ 9,730,606</u>	<u>\$ -</u>	<u>\$ (349,879)</u>	<u>\$ -</u>	<u>\$ 9,380,727</u>

	Balance December 31, 2022	Transfers	Additions	Disposals	Balance December 31, 2023
Land	\$ 144,150	\$ -	\$ -	\$ -	\$ 144,150
Buildings & improvements	405,148	-	41,080	-	446,228
Machinery & equipment	1,936,466	-	114,690	-	2,051,156
Vehicles	251,087	-	179,068	(70,336)	359,819
Intangibles	-	-	-	-	-
Water system	28,398,474	-	72,496	-	28,470,970
Construction in progress	-	-	166,440	-	166,440
	31,135,325	-	573,774	(70,336)	31,638,763
Accumulated depreciation	(21,754,598)	-	(892,293)	61,936	(22,584,955)
	<u>\$ 9,380,727</u>	<u>\$ -</u>	<u>\$ (318,519)</u>	<u>\$ (8,400)</u>	<u>\$ 9,053,808</u>

NOTE 5 – LONG-TERM DEBT

1995 ANRC bond debt

In 1995, the Organization issued \$2,158,626 in Water Revenue bonds in order to finance the construction of three water supply wells and a water treatment facility. The Arkansas Natural Resource Commission ("ANRC") simultaneously purchased the bond and issued a 30-year note. The interest rate on the note payable is 2.75%. The proceeds of were used to pay bond issuance costs, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the ongoing operation and maintenance of the water system, monthly deposits into a debt service account of equal to one-sixth of the semi-annual debt service payment, and monthly deposits into a depreciation account of \$3,268 a month until a total of \$1,500,000 has accumulated for expected future costs of replacement and repairs to the water wells and treatment plant.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

The Organization was in compliance with all debt covenants for the years ended December 31, 2023 and 2022.

1997 ANRC bond debt

In 1997, the Organization issued \$1,031,781 in Water Revenue bonds in order to finance the construction of three water supply wells and a water treatment facility. The Arkansas Natural Resource Commission ("ANRC") simultaneously purchased the bond and issued a 30-year note. The interest rate on the note payable is 2.75%. The proceeds of were used to pay bond issuance costs, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the ongoing operation and maintenance of the water system and monthly deposits into a debt service account of equal to one-sixth of the semi-annual debt service payment. The bond covenant states the reserve for depreciation on the 1995 ANRC bond debt is sufficient and no additional depreciation reserve is required for this bond issuance. The Organization was in compliance with all debt covenants for the years ended December 31, 2023 and 2022.

Series 2012 Refunding Revenue Bonds

In 2012, the Organization issued \$4,455,000 in Water Revenue bonds in order to pay off the Series 2008 Refunding Bond issue, fund a debt service reserve, and to pay additional expenses of issuing the bonds and accomplishing the refund of the Series 2008 bonds. The average interest rate for all outstanding bonds is 3.55%. The Organization is required to establish rates sufficient to pay the ongoing operation and maintenance of the water system, monthly deposits into a debt service account of equal to one-sixth of the semi-annual interest payment & one-twelfth of the annual principal and interest payment, maintain a depreciation account of \$140,000, and maintain a debt service reserve equal to the lower of 10% of the outstanding principal or 50% of the maximum annual debt service requirement remaining. The Organization was in compliance with all debt covenants for the years ended December 31, 2023 and 2022.

The following is a summary of changes in bonds payable:

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022	Amounts Due Within One Year
1995 ANRC bond debt	\$ 271,663	\$ -	\$ (133,976)	\$ 137,687	\$ 137,686
1997 ANRC bond debt	185,897	-	(60,283)	125,614	61,951
Series 2012 refunding revenue bond	1,885,000	-	(110,000)	1,775,000	110,000
	<u>\$ 2,342,560</u>	<u>\$ -</u>	<u>\$ (304,259)</u>	<u>\$ 2,038,301</u>	<u>\$ 309,637</u>

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023	Amounts Due Within One Year
1995 ANRC bond debt	\$ 137,687	\$ -	\$ (137,687)	\$ -	\$ -
1997 ANRC bond debt	125,614	-	(61,953)	63,661	63,661
Series 2012 refunding revenue bond	1,775,000	-	(110,000)	1,665,000	115,000
	<u>\$ 2,038,301</u>	<u>\$ -</u>	<u>\$ (309,640)</u>	<u>\$ 1,728,661</u>	<u>\$ 178,661</u>

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023 and 2022

Total principal and interest maturities of the Organization's bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 178,661	\$ 61,904	\$ 240,565
2025	125,000	57,138	182,138
2026	125,000	53,138	178,138
2027	105,000	49,075	154,075
2028	105,000	45,663	150,663
2029-2033	595,000	167,956	762,956
2034-2038	495,000	46,800	541,800
	<u>\$ 1,728,661</u>	<u>\$ 481,674</u>	<u>\$ 2,210,335</u>

NOTE 6 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

SUPPLEMENTARY INFORMATION

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
SCHEDULE OF OPERATING EXPENSES

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Plant operations and distributions</u>		
Salaries and wages	\$ 604,664	\$ 580,238
Payroll taxes	44,414	41,915
Retirement	55,118	50,286
Health insurance	122,697	128,070
Repairs and maintenance	64,453	64,781
Utilities	211,148	201,370
Insurance	92,679	81,294
Fuel charges	78,511	76,008
Equipment rentals	2,653	1,996
License, permits, fees	44,767	51,201
Contract labor	83,766	59,558
Operating supplies	142,071	119,099
Engineering and lab testing fees	34,654	23,581
Water purchases	2,794	1,794
Chemicals	146,635	124,410
Total plant operations and distributions	1,731,024	1,605,601
<u>General and administrative</u>		
Salaries and wages	151,166	145,059
Payroll taxes	11,104	10,479
Retirement	13,780	12,572
Health insurance	30,674	32,018
Office supplies	63,482	58,680
Professional fees	18,619	32,390
Communication	23,972	25,064
Travel expenses	5,657	5,055
Other expenses	33,913	28,608
Bad debt	133	3,252
Total general and administrative	352,500	353,177
<u>Depreciation</u>	892,293	854,929
Total operating expenses	<u>\$ 2,975,817</u>	<u>\$ 2,813,707</u>

See independent auditor's report.

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
SCHEDULE OF SYSTEM INFORMATION
For the Year Ended December 31, 2023

Number of Water Users	6,094
Annual billable gallons of water	419,450,400
Date of last rate study:	N/A
Next required date:	July 1, 2026
Met the Board/Council training requirements:	Yes

Debt Service Coverage Ratio (1.05 minimum required)

Net Income (loss)	\$ (32,341)
Add: Depreciation	892,293
Add: Interest expense	69,765
Add: Non operating expense	-
Add: GASB 68 pension expense adjustment	-
Subtract: Interest income	(23,906)
Subtract: Non operating income	<u>(29,600)</u>
Total	\$ 876,211
Divided by next year principal & interest	<u>\$ 240,565</u>
Debt service coverage ratio	<u><u>3.64</u></u>

Free Cash Flow Determination

Total unrestricted cash	\$ 1,997,194
One twelfth of total expenses	<u>(254,461)</u>
Excess / (deficient) cash	<u><u>\$ 1,742,733</u></u>

See independent auditor's report.

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Grand Prairie Regional Water Distribution District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grand Prairie Regional Water Distribution District, (the "Organization"), which comprise the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated April 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
April 9, 2024

GRAND PRAIRIE REGIONAL WATER DISTRIBUTION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

None Identified