

**PFEIFFER PUBLIC WATER AUTHORITY
REPORT ON
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

CONTENTS

Independent Auditors' Report	3-6
Statements of Net Position	7-8
Statements of Revenue, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-21
Supplementary Information	
Schedule of Revenues and Expenses Budget Comparison	23
Schedule of Insurance Coverage	24-25
Schedule of Water Rates and Board of Directors	26
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on An Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	27-29

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pfeiffer Public Water Authority
Batesville, Arkansas 72501

Opinions

We have audited the accompanying financial statements of the business type activities of Pfeiffer Public Water Authority as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 of the business-type activities of Pfeiffer Public Water Authority as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended 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. 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 Pfeiffer Public Water Authority, 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.

Responsibility of Management 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, 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 Pfeiffer Public Water 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 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, 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 combined 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 Pfeiffer Public Water 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pfeiffer Public Water 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

Management has omitted *Management's discussion and analysis* that accounting principles generally accepted in the United States of America require 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 Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison* on page 23 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 Government 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. Such information has been subjected to the auditing procedures applied in the audits 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 budget comparison on page 23 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pfeiffer Public Water Authority's basic financial statements. The supplementary information on pages 24-26 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information on pages 24-26 has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024 on our consideration of Pfeiffer Public Water Authority's internal control over financial reporting and 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 the 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 Pfeiffer Public Water Authority's internal control over financial reporting and compliance.

Whitmire, Robinson & Co.
Batesville, Arkansas
June 12, 2024

PFEIFFER PUBLIC WATER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022
(Note 1)

	Assets	
	<u>2023</u>	<u>2022</u>
Current Assets		
Cash in bank and on hand (Notes 6 and 7)	\$1,113,482	\$1,424,371
Accounts receivable, net of allowance for doubtful accounts of \$2,055 and \$2,055	186,089	168,630
Unbilled revenue	57,758	57,758
Prepaid insurance	7,777	2,138
Total Current Assets	<u>1,365,106</u>	<u>1,652,897</u>
Noncurrent Assets		
Capital assets: (Note 3)		
Land	24,140	24,140
Other capital assets, net accumulated depreciation	<u>5,323,204</u>	<u>3,414,405</u>
Total Capital Assets	<u>5,347,344</u>	<u>3,478,827</u>
Restricted cash (Note 2)	<u>170,454</u>	<u>164,278</u>
Total Noncurrent Assets	<u>5,517,798</u>	<u>3,643,105</u>
Total Assets	<u><u>\$6,882,904</u></u>	<u><u>\$5,296,002</u></u>

See accompanying notes to financial statements.

**PFEIFFER PUBLIC WATER AUTHORITY
STATEMENTS OF NET POSITION (Cont.)
DECEMBER 31, 2023 AND 2022 (Note 1)**

	<u>2023</u>	<u>2022</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$139,459	\$61,585
Accrued interest	3,834	2,120
Accrued expenses	6,769	6,319
Current maturities of long-term debt (Note 5)	72,912	75,977
Current maturities of bond (Note 7)	13,081	12,694
Total Current Liabilities	<u>236,055</u>	<u>158,695</u>
Customer Deposits	98,875	101,855
Water Revenue Bond (Note 7)	522,586	535,712
Long-term debt, net of current maturities (Note 5)	<u>1,878,262</u>	<u>517,137</u>
Total Liabilities	<u>2,735,778</u>	<u>1,313,399</u>
Net Position		
Invested in capital assets	2,860,503	2,337,307
Unrestricted	<u>1,286,623</u>	<u>1,645,296</u>
Total Net Position - Unrestricted	<u>4,147,126</u>	<u>3,982,603</u>
Total Liabilities and Net Position	<u>\$6,882,904</u>	<u>\$5,296,002</u>

See accompanying notes to financial statements.

PFEIFFER PUBLIC WATER AUTHORITY
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Income		
Water sales	\$1,133,417	\$1,064,968
Other operating revenues	<u>24,260</u>	<u>25,235</u>
Total Operating Revenues	<u>1,157,677</u>	<u>1,090,203</u>
Operating Expenses		
Water purchased	455,113	459,261
Utilities and telephone	29,824	26,136
Insurance	24,403	7,624
Professional fees	52,051	42,039
Management fees (Note 4)	132,000	132,000
Bad debt expense	3,150	6,759
Repairs	24,872	26,194
Other operating expenses	11,760	9,862
Depreciation and amortization	<u>175,673</u>	<u>169,068</u>
Total Operating Expenses	<u>908,846</u>	<u>878,943</u>
Net Income from Operations	248,831	211,260
Other Income - Interest	2,427	2,237
Other Expense - Interest	<u>(86,735)</u>	<u>(42,694)</u>
Net Income Before Capital Contributions	164,523	170,803
Net Position, Beginning of Year, as restated	<u>3,982,603</u>	<u>3,811,800</u>
Net Position, End of Year	<u><u>\$4,147,126</u></u>	<u><u>\$3,982,603</u></u>

See accompanying notes to financial statements.

**PFEIFFER PUBLIC WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Water sales	1,115,958	\$1,041,244
Other income	24,260	25,235
Total Receipts	<u>1,140,218</u>	<u>1,066,479</u>
Purchased water	438,863	473,926
Administrative	223,833	216,854
Utilities	29,824	26,136
Insurance	30,042	7,761
Total Disbursements	<u>722,562</u>	<u>724,677</u>
Net Cash Provided by Operating Activities	<u>417,656</u>	<u>341,802</u>
Cash Flows from Investing Activities		
Interest received	2,427	2,237
Net Cash Provided by Investing Activities	<u>2,427</u>	<u>2,237</u>
Cash Flows from Capital and Related Financing Activities		
Constructions in progress	(1,982,116)	(40,282)
Purchase of capitalized assets	-0-	(73,552)
Payments on long-term debt principal	(111,380)	(47,621)
Proceeds of long-term debt	1,456,701	-0-
Customer deposits	(2,980)	210
Interest paid	(85,021)	(42,694)
Net Cash (Used) by Capital and Related Financing Activities	<u>(724,796)</u>	<u>(203,939)</u>
Net Decrease in Cash	(304,713)	140,100
Cash, Beginning of Year	<u>1,588,649</u>	<u>1,448,549</u>
Cash, End of Year	<u>\$1,283,936</u>	<u>\$1,588,649</u>

See accompanying notes to financial statements.

**PFEIFFER PUBLIC WATER AUTHORITY
STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Net income from operations	\$248,831	\$211,260
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	175,673	169,068
Increase or decrease in:		
Accounts receivable	(9,226)	(3,700)
Unbilled revenue	-0-	(14,242)
Prepaid insurance	(5,639)	(137)
Accounts receivable - City	(8,233)	(5,782)
Accounts payable and other current liabilities	16,250	(14,665)
Net Cash Provided by Operating Activities	\$417,656	\$341,802

Supplemental Disclosure:

Cash paid during 2023 and 2022 for interest was \$85,021, and \$42,694 respectively.

See accompanying notes to financial statements.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 1 - Summary of Significant Accounting Policies

- A.** Effective January 28, 2004, Pfeiffer Water Association, Inc. was reconstituted as Pfeiffer Public Water Authority pursuant to Act 115 of 2001. Pfeiffer Public Water Authority is a body politic and corporate and a political subdivision of the State of Arkansas. The primary benefit from the entity change is to provide access to tax-exempt capital markets and thereby assuring the customers the lowest water rates possible.
- B.** Pfeiffer Public Water Authority is exempt from federal income taxes as a governmental entity.
- C.** Under the Governmental Accounting Standards Board (GASB) Statement No. 62, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Pfeiffer Public Water Authority has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.
- D.** Pfeiffer Public Water Authority is using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.
- E.** Depreciation is provided in amounts sufficient to relate the cost of the utility plant and other depreciable assets to operations, over the estimated useful lives of the assets, computed by the straight-line method. Useful lives for equipment and buildings range from 5 to 50 years. Maintenance and repairs are charged to expense as incurred.
- F.** Restricted funds are established in order to meet requirements set forth by Rural Development.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

- G.** For purposes of the statement of cash flows, Pfeiffer Public Water Authority considers all highly liquid debt instruments that are not restricted funds with a maturity of three months or less to be cash equivalents.
- H.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from these amounts.
- I.** Accounts receivable related to water billing are shown net of an allowance for doubtful accounts. Credit extended to customers is generally uncollateralized. Accounts are due the 20th of each month. Past due accounts are charged a late fee. Customers are required to make a deposit, and deposits can be offset against the receivable.

Accounts receivable consist of credit extended to users in the normal course of business. Pfeiffer Public Water Authority uses the allowance method to account for uncollectible accounts receivable. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance accounts. The policy for determining when receivables are post due or delinquent is based on how recently payments have been received. Management uses significant judgment in estimating uncollectible amounts. While management believes that Pfeiffer Public Water Authority's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to any allowance recorded by Pfeiffer Public Water Authority.

- J.** The Authority grants credit for water sales to its members, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The collectibility of the Authority's receivables is dependent upon its member's ability to honor their water bill obligations. However, each member has a deposit with the Authority which is held as security for up to \$100 of their unpaid account balance.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 1 - Summary of Significant Accounting Policies (Continued)

- K.** Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers water sales. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- L.** GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.
- M.** The Authority is exposed to various risks of loss related to property and casualty losses. It is the policy of Pfeiffer Water Authority to purchase commercial insurance for the risks of loss to which it is exposed. Under this arrangement, the Authority assumes the risk for the amount of loss where risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.
- N.** Any rate increase must be authorized by the Authority's Board of Directors. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act, and the Arkansas Department of Health.
- O.** Revenue from water sales is recognized at the time the water is delivered to the customer. Water revenues are determined based on monthly meter readings. Revenues from connections and any other revenue is recognized at the point of service.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 2 - Restricted Cash

Restricted cash is as follows:

	2023	2022
Meter deposits	\$80,730	\$80,609
Debt Reserve Loan #20 USDA	27,600	27,600
Debt Reserve Loan #22 USDA	62,124	56,069
Total Restricted Cash	<u>\$170,454</u>	<u>\$164,278</u>

Short-lived Asset Reserve

Funds have not been formally restricted for a Short-lived Asset Reserve. However, the Authority does maintain unrestricted cash amounts exceeding the \$310,000 and \$310,000 in estimated short-lived assets.

Note 3 - Capital Assets

The composition of property, plant and equipment as of December 31, 2023 and 2022 is as follows:

	Balance			Balance
	<u>January 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2023</u>
Land	\$24,140	\$-0-		\$24,140
Buildings and Systems	6,480,376	2,084,471		8,564,847
Equipment	182,432			182,432
Construction in Progress	<u>40,282</u>	<u>2,044,189</u>	<u>(\$2,084,471)</u>	<u>-0-</u>
Totals	6,727,230	4,128,660	(2,084,471)	8,771,419
Accumulated	<u>(3,248,403)</u>	<u>(175,672)</u>	<u>_____</u>	<u>(3,424,075)</u>
	<u>\$3,478,827</u>	<u>\$3,952,988</u>	<u>(\$2,084,471)</u>	<u>\$5,347,344</u>

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 3 - Capital Assets (continued)

	Balance			Balance
	January 1, 2022	Additions	Deletions	December 31, 2021
Land	\$24,140	\$-0-		\$24,140
Buildings and Distribution System and construction in progress	6,297,148	183,228		6,480,376
Equipment	182,432			182,432
Construction in progress	109,676	40,282	(\$109,676)	40,282
Totals	6,613,396	223,510	(109,676)	6,727,230
Accumulated Depreciation	(3,079,335)	(169,068)		(3,248,403)
	<u>\$3,534,061</u>	<u>\$54,442</u>	<u>(\$109,676)</u>	<u>\$3,478,827</u>

The policy of Pfeiffer Public Water Authority is to capitalize all assets with a cost in excess of \$500.

Note 4 - Related Parties

Pfeiffer Public Water Authority entered into a management agreement with the Batesville Water Utility System and the City of Batesville, Arkansas for a monthly fee of \$11,000. Under the terms of the agreement, the Batesville Water Utility System is to provide personnel and equipment to maintain the distribution system, billing and collection of members' accounts, reading of meters, and other routine work.

Amounts paid to Batesville Water were as follows:

	2023	2022
Management fees	\$132,000	\$132,000
Water Purchased	455,113	459,261
Repairs	24,872	26,194

Amounts owed to Batesville Water as of December 31, 2023 and 2022 was \$77,385 and \$60,488, respectively.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 5 - Long-term Debt

Long-term debt consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note payable to Arkansas Soil & Water Conservation with annual payments of \$5,123, including interest at 5.00%, beginning December 2010, payable through November 2030.	\$32,831	\$37,427
Note payable to Arkansas Soil & Water Conservation with annual payments of \$7,653, including interest at 5.00% beginning January 2008, payable through December 2037.	20,842	33,135
The Water Authority obtained a loan from Citizens Bank of \$1,617,800 on October 12, 2021 for system improvements and to refinance an existing loan which had a balance of \$161,099. The loan is payable, interest only, until November 2022 at a rate of 3.99%. Payments of \$9,795 are due beginning November 2022 and continuing through October 2031 at which time the remaining balance of \$1,045, 152 will be due.	1,527,311	141,317
Note payable to U. S. D. A. Rural Development with monthly payments of \$2,292, including interest at 4.375%, payable through May 2044.	<u>\$370,190</u>	<u>381,235</u>
Total	1,951,174	593,114
Less current maturities	<u>(72,912)</u>	<u>(75,977)</u>
Long-term debt, net of current maturities	<u>\$1,878,262</u>	<u>\$517,137</u>

These obligations are collateralized by substantially all of the Authority's assets.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 5 - Long-term Debt (continued)

	Beginning Balance			Ending Balance	Due Within
	December 31, 2022	Additions	Reductions	December 31, 2023	One Year
Arkansas Soil and Water Conservation	\$37,427		\$4,596	\$32,831	\$4,826
Arkansas Soil and Water Conservation	33,135		12,293	20,842	-0-
Citizens Bank	141,317	\$1,456,701	70,707	1,527,311	56,538
USDA	381,235		11,045	370,190	11,548
Total	<u>\$593,114</u>	<u>\$1,456,701</u>	<u>\$98,641</u>	<u>\$1,951,174</u>	<u>\$72,912</u>

	Beginning Balance			Ending Balance	Due Within
	December 31, 2021	Additions	Reductions	December 31, 2022	One Year
Arkansas Soil and Water Conservation	\$41,804		\$4,377	\$37,427	\$4,596
Arkansas Soil Water Conservation	33,135		-0-	33,135	5,997
Citizens Bank	161,099		19,782	141,317	54,329
USDA	391,951		10,716	381,235	11,055
Total	<u>\$627,989</u>		<u>\$34,875</u>	<u>\$593,114</u>	<u>\$75,977</u>

Future principal maturities on long-term debt are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>
2024	\$72,912	\$79,959
2025	82,577	76,590
2026	86,091	73,077
2027	89,754	69,413
2028	85,922	65,592
2029-2033	458,891	272,813
2034-2038	554,359	170,873
2039-2043	511,386	49,393
2044-2048	9,282	83
	<u>\$1,951,174</u>	<u>\$857,793</u>

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 5 - Long-term Debt (continued)

The note payable to USDA contains a requirement to fund a debt service reserve that included \$230 per month in addition to the required monthly payment until \$27,600 was accumulated. The additional payment is no longer required.

Note 6 - Concentrations

The Authority's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Authority grants credit to its customers, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The Authority maintains its cash accounts primarily with banks located in Batesville, Arkansas. The total cash balances are insured by the F. D. I. C. up to \$250,000 per bank. The Authority's carrying amount of deposits was \$1,283,936 and the bank balance was \$1,303,205; of the bank balance, \$1,303,205 was covered by federal depository insurance and/or collateralized with marketable securities.

Pfeiffer Public Water Authority has an agreement with the City of Batesville to purchase water on a month to month basis in the amount of \$1.73 per 1,000 gallons.

Note 7 - Water Revenue Bond

On December 21, 2015, the Pfeiffer Water Authority issued \$666,000 in water revenue bonds for construction improvements to the waterworks system. The estimated cost \$1,188,000, including bond issue cost and interest during construction, is financed by the issuance of water revenue bonds in the amount of \$666,000 to USDA Rural Development and grant funds in the amount of \$522,000.

The Water and Sewer Revenue Bonds have been funded through USDA Rural Development as follows:

Bond Issue	Balance	Interest Rate	Maturity Date
\$666,000	\$548,406	3.50%	January 21, 2051

Bond funds are issued as construction costs are incurred. The Water Revenue Bond is a special obligations payable solely from the revenue of the operation of the waterworks system. The bonds are payable interest only on the first year anniversary date from the date of issuance. It is then payable in monthly installments of \$2,418 beginning January 21, 2012 through the maturity date of January 21, 2051.

The \$666,000 bond issue contains a requirement to maintain a debt service reserve beginning January 21, 2012, that includes \$261 per month in addition to the required monthly payment until \$31,320 has been accumulated. The bond requires a short-lived asset reserve of \$310,000.

**PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 7 - Water Revenue Bond (continued)

Future principal maturities are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$13,081	\$15,935
2025	13,480	15,536
2026	13,891	15,125
2027	14,314	14,702
2028	14,750	14,266
2029-2033	80,773	64,307
2034-2038	93,853	51,227
2039-2043	109,050	36,030
2044-2048	126,709	18,371
2049-2053	55,766	1,778
	<u>\$535,667</u>	<u>\$247,277</u>

	<u>Beginning Balance December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance December 31, 2023</u>	<u>Due Within One Year</u>
USDA	\$548,406		\$12,739	\$535,667	\$13,081
	<u>Beginning Balance December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance December 31, 2022</u>	<u>Due Within One Year</u>
USDA	\$561,152		\$12,746	\$548,406	\$12,694

Note 8 - Evaluation of Subsequent Events

The Authority has evaluated subsequent events through June 12, 2024, the date which the financial statements were available to be issued.

PFEIFFER PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 9 - Restatement of Net Assets/Correction of Error

Beginning net position has been restated at January 1, 2022 to increase accounts payable for water purchases which were previously understated.

The restatement of net position resulted in the following changes:

12/31/20 - Net Position	\$3,858,163
Increase in accounts payable	<u>(46,363)</u>
12/31/21 - Net Position, Restated	\$3,811,800
Net Income 2022	154,765
Decrease in accounts payable	<u>16,038</u>
Net income, as restated	<u>170,803</u>
12/31/22 - Net Position, Restated	\$3,982,603

SUPPLEMENTARY INFORMATION

**PFEIFFER PUBLIC WATER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Actual</u>	<u>Original Final Budget</u>	<u>Favorable/ (Unfavorable)</u>
Operating Revenues			
Water sales	\$1,133,417	\$1,074,610	\$58,807
Other operating revenues	24,260	25,500	(1,240)
Total Operating Revenues	<u>1,157,677</u>	<u>1,100,110</u>	<u>57,567</u>
Operating Expenses			
Water purchased	455,113	499,328	44,215
Utilities and telephone	29,824	25,000	(4,824)
Insurance	24,403	9,500	(14,903)
Professional fees	52,051	72,300	20,249
Management fees to City of Batesville	132,000	132,000	-0-
Repairs and maintenance	24,872	40,000	15,128
Office supplies	416	750	334
Safe Water Act	7,184	7,500	316
Other operating expenses	7,310	2,000	(5,310)
Depreciation and amortization	175,673	169,068	(814)
Total Operating Expense	<u>908,846</u>	<u>957,446</u>	<u>54,391</u>
Income from Operations	<u>248,831</u>	<u>142,664</u>	<u>111,958</u>
Other Income (Expense)			
Interest income	2,427	2,000	427
Interest expense	(86,735)	(38,961)	(47,774)
Total Other Income (Expenses)	<u>(84,308)</u>	<u>(36,961)</u>	<u>47,347</u>
Net Income	<u>\$164,523</u>	<u>\$105,703</u>	<u>\$64,611</u>

**PFEIFFER PUBLIC WATER AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2023**

<u>Policy No.</u>	<u>Company</u>	<u>Description of Coverage and Property Insured</u>	<u>Policy Term</u>	<u>Amount of Coverage</u>
CNA4105448-26	Continental Western. Insurance Co.	All risk coverage with standard exclusions and 80% coinsurance.	4/13/23 through 4/13/24	
		<u>Pump Station No. 1:</u>		
		Pump House		\$31,763
		Pumps and Motors		53,997
		Controls		12,705
		Electrical Equipment		25,410
		Mechanical Equipment		12,705
		Tanks		287,705
		<u>Pump Station No. 2</u>		
		Pump House		\$31,763
		Pumps and Motors		66,702
		Controls		12,703
		Electrical Equipment		31,763
		Mechanical Equipment		44,468
		Tanks		1,464,705
		<u>Pump Station No. 3</u>		
		Pump House		\$38,115
		Pumps and Motors		116,887
		Controls		12,705
		Electrical Equipment		38,115
		Mechanical Equipment		12,705
		Tanks		859,705
		<u>Pump Station No. 4</u>		
		Tanks		\$622,787

**PFEIFFER PUBLIC WATER AUTHORITY
SCHEDULE OF INSURANCE IN FORCE (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023**

Policy No.	Company	Description of Coverage and Property Insured	Policy Term	Amount of Coverage
106484398	Travelers	Directors and Officers Liability	3/17/23 through 3/17/24	\$1,000,000
72030609	Western Surety Company	Crime/Employee Dishonesty Blanket	1/1/23 12/31/24	\$100,000

**PFEIFFER PUBLIC WATER AUTHORITY
SCHEDULE OF WATER RATES AND
BOARD OF DIRECTORS**

**Water Rates (Except for Hickory Valley, Sandtown, Cushman,
Cave Creek, and Rosewood Extensions)**

	<u>Per Thousand Gallons</u>
First 1,000 gallons	\$25.34 (Minimum)
Next 99,000 gallons	6.41/1,000 gallons

**Water Rates for Hickory Valley, Sandtown Road, Cushman, Cave Creek, and Rosewood
Extensions**

<u>Gallons</u>	<u>Per Thousand</u>
First 1,000 gallons	\$31.66 (Minimum)
Next 99,000 gallons	6.41/1,000 gallons

Board of Directors

Barry Wilkes, President	February, 2026
David Timko, Secretary	February, 2025
Ron Weaver	February, 2028
Paul McDonald, Vice President	November 2027
Warren Ballard	February 2027
Darren Rendaleman	February 2025

WHITMIRE, ROBINSON & CO., CPA, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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SHARON ROBINSON, CPA

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

Independent Auditor's Report

Board of Directors
Pfeiffer Public Water Authority
Batesville, Arkansas 72501

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 the business-type activities of Pfeiffer Public Water Authority as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Pfeiffer Public Water Authority's basic financial statements, and have issued our report thereon dated June 12, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pfeiffer Public Water 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 Pfeiffer Public Water Authority's internal control. Accordingly we do not express an opinion on the effectiveness of Pfeiffer Public Water 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described below that we consider to be material weaknesses.

Material Weakness

2023 - 1 Accounts Reconciliations

Criteria: Accounts should be reconciled to supporting documents monthly.

Condition: During our audits, we noted the accounts receivable were not reconciled to the supporting documents.

Cause: Management is not properly reconciling accounts receivable as part of the monthly closing process.

Effect of Potential Effect: Management may not prevent, detect or correct misstatements or errors related to accounts receivable on a timely basis.

Recommendation: We recommend the Authority reconcile these transactions and accounts receivable as part of the month-end closing processes to ensure the accounts are properly recorded in the general ledger.

Response: The Authority has reviewed the month-end process and will work with their CPA firm and Batesville Water to insure all receivable accounts are reconciled monthly.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pfeiffer Public Water 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 audits, 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* and which are described below.

Pfeiffer Public Water Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Pfeiffer Public Water Authority's response to the findings identified in our audit and described above. Pfeiffer Public Water Authority's response was not subjected to the other auditing procedures

applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

Whitmire, Robinson & Co.
Batesville, Arkansas
June 12, 2024