

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of the
Lake Chicot Water Supply Association, Inc.

We have performed the procedures enumerated below for the Lake Chicot Water Supply Association, Inc., ("the Organization"), for the year ended December 31, 2023. The Organization's management is responsible for accounting records.

Lake Chicot Water Supply Association, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of issuing a report on findings based on specific procedures performed on subject matter. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: No findings identified.

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: No findings identified.

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.

2. Determine that five (5) customer adjustments were properly authorized.

Findings: *No findings identified.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

Findings: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The accompanying 2022 financial statements were previously audited by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated February 21, 2023, but we have not performed any procedures in connection with that audit engagement since that date.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

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

Monticello, Arkansas
April 25, 2024

SEARCY & ASSOCIATES, LLC
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of the
Lake Chicot Water Supply Association, Inc.

Management is responsible for the accompanying financial statements of Lake Chicot Water Supply Association, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The supplementary information 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. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The accompanying 2022 financial statements were previously audited by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated February 21, 2023, but we have not performed any procedures in connection with that audit engagement since that date.



Monticello, Arkansas
April 25, 2024

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash, short term investments and cash equivalents	\$ 597,096	\$ 506,676
Accounts receivable (net of allowance for doubtful accounts)	44,283	44,997
Other current assets	500	500
Total current assets	<u>641,879</u>	<u>552,173</u>
<u>Fixed assets, net of accumulated depreciation</u>	154,190	173,240
<u>Restricted Assets</u>		
Cash reserve - meter deposits	<u>53,521</u>	<u>50,580</u>
Total assets	<u><u>\$ 849,590</u></u>	<u><u>\$ 775,993</u></u>
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 13,474	\$ 12,471
Other accrued expenses	2,199	2,499
Total current liabilities	<u>15,673</u>	<u>14,970</u>
<u>Long term liabilities</u>		
Customer deposits	<u>53,521</u>	<u>50,580</u>
Total liabilities	<u>69,194</u>	<u>65,550</u>
<u>Net assets</u>		
Net assets without donor restrictions	<u>780,396</u>	<u>710,443</u>
Total liabilities and net assets	<u><u>\$ 849,590</u></u>	<u><u>\$ 775,993</u></u>

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

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Changes in net assets without donor restrictions</u>		
Revenues		
Water services	\$ 332,611	\$ 326,417
Penalties and late fees	9,415	8,040
Other operating income	<u>3,799</u>	<u>3,806</u>
Total revenues	345,825	338,263
Expenses		
Operating expenses	229,323	217,528
General and administrative	<u>55,007</u>	<u>50,368</u>
Total expenses	<u>284,330</u>	<u>267,896</u>
Income (loss) from operations	61,495	70,367
Non-operating income (expense)		
Interest income	<u>8,458</u>	<u>20</u>
Change in net assets without donor restrictions	69,953	70,387
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
<u>Change in net assets</u>	69,953	70,387
<u>Net assets, beginning of year</u>	<u>710,443</u>	<u>640,056</u>
<u>Net assets, end of year</u>	<u>\$ 780,396</u>	<u>\$ 710,443</u>

The accompanying notes are an integral part of the financial statements

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Cash flows from operating activities</u>		
Income from operations	\$ 61,495	\$ 70,367
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	19,050	19,050
Changes in assets and liabilities:		
Accounts receivable	714	(5,269)
Accounts payable	1,003	3,951
Accrued expenses	(300)	57
Total adjustments	20,467	17,789
Net cash provided by (used for) operating activities	81,962	88,156
<u>Cash flows from investing activities</u>		
Interest income	8,458	20
<u>Cash flows from financing activities</u>		
Change in customer deposits	2,941	2,400
<u>Change in cash and cash equivalents</u>	93,361	90,576
<u>Cash and cash equivalents, beginning of year</u>	557,256	466,680
<u>Cash and cash equivalents, end of year</u>	\$ 650,617	\$ 557,256
 <u>Cash and cash equivalents</u>	 \$ 597,096	 \$ 506,676
<u>Restricted cash and cash equivalents</u>	53,521	50,580
	\$ 650,617	\$ 557,256

The accompanying notes are an integral part of the financial statements

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2023 and 2022

	2023		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 119,154	\$ -	\$ 119,154
Meter services	46,102	-	46,102
Accounting and bookkeeping	-	34,950	34,950
Repairs and maintenance	25,754	-	25,754
Depreciation	18,098	952	19,050
Utilities	5,931	1,047	6,978
Professional services	-	7,005	7,005
Dues, subscriptions, licenses	4,317	1,079	5,396
Insurance	5,174	-	5,174
Office supplies	-	5,212	5,212
Supplies	3,766	198	3,964
Other expenses	1,027	1,027	2,054
Bad debt	-	3,537	3,537
Total expenses	<u>\$ 229,323</u>	<u>\$ 55,007</u>	<u>\$ 284,330</u>

	2022		
	Program (Water) Services	Management & General	Total
Water purchases	\$ 126,761	\$ -	\$ 126,761
Meter services	43,200	-	43,200
Accounting and bookkeeping	-	31,800	31,800
Repairs and maintenance	8,568	-	8,568
Depreciation	18,098	952	19,050
Utilities	6,448	1,138	7,586
Professional services	-	6,950	6,950
Dues, subscriptions, licenses	4,270	1,068	5,338
Insurance	4,641	-	4,641
Office supplies	-	3,937	3,937
Supplies	2,423	128	2,551
Other expenses	3,119	3,118	6,237
Bad debt	-	658	658
Training	-	619	619
Total expenses	<u>\$ 217,528</u>	<u>\$ 50,368</u>	<u>\$ 267,896</u>

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

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Lake Chicot Water Supply Association, Inc. (the “Organization”) is a not-for-profit corporation established on August 19, 1977 under the laws of the State of Arkansas. The Organization is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in Chicot County, primarily around Lake Chicot in Southeast Arkansas.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Concentrations and Credit Risks

The Organization’s credit risks primarily relate to cash and cash equivalents. The Organization maintains several cash accounts at a bank. Accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000.

The Organization’s water supply was purchased 100% from one vendor for the years ending December 31, 2023 and 2022.

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, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 (continued)

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. 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 are 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.

The Organization uses the direct write off method for past due accounts that the Organization does not believe will be collected. This is a departure from GAAP, however, the difference between the reserve method and the direct write off method is not materially different to the financial statements.

Property and Equipment

Property and Equipment 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 & Lines	20-50 years
System Improvements	20-40 years
Tools & 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 value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 (continued)

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

Date of Management's Review

The Organization evaluated its December 31, 2023 and 2022 financial statements for subsequent events through April 25, 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 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

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 department in the Organization's name.

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

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

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 124,147	\$ 124,147	\$ -	\$ -
Bank B	425,284	250,000	175,284	-
Bank C	101,210	101,210	-	-
Total	\$ 650,641	\$ 475,357	\$ 175,284	\$ -

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

LAKE CHICOT WATER SUPPLY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 650,617	\$ 557,256
Receivables	44,283	44,997
	<u>694,900</u>	<u>602,253</u>
Less: restricted cash for deposit accounts	<u>(53,521)</u>	<u>(50,580)</u>
Available for general expenditure	<u>\$ 641,379</u>	<u>\$ 551,673</u>

Restricted cash consists of funds held in reserve by the Organization that is required to be maintained to repay customers' deposits upon the closing of the customers' accounts. The total deposits held with the Organization required to be reserved at December 31, 2023 and 2022 are \$53,521 and \$50,580, respectively.

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (currently approximately \$115,000). As part of its liquidity plan, excess cash is held in timed deposits.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following balances at December 31, 2023 and 2022:

	2023	2022
Water plant system	\$ 523,455	\$ 523,455
Water lines	62,684	62,684
Tools & equipment	20,754	20,754
Booster station	88,355	88,355
Elevated tank	128,275	128,275
	<u>823,523</u>	<u>823,523</u>
Accumulated depreciation	<u>(669,333)</u>	<u>(650,283)</u>
	<u>\$ 154,190</u>	<u>\$ 173,240</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

Board members and contracted professionals purchase water from the association on the same basis as all other members. The total sales and amounts receivable from these related parties are not materially significant to the financial statements.

SUPPLEMENTARY INFORMATION



Arkansas Rural Water Association

Dennis Sternberg, CEO

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E-mail: arkrwa@arwa.net or arkrwa@sbcglobal.net

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ARWA Mission Statement:

To provide Arkansas Rural Water Utilities the highest level of Training & Technical Services in order to obtain a Quality Water at the lowest possible cost.

Date: October 24, 2023

To: Lake Chicot Water Association (Water ONLY Per Act 605 of 2021)

From: Arkansas Rural Water Association

**Re: Water Rate Based on 2022 Year Reports –
Meeting Rules of Act 605 of 2021 and Act 545 of 2023.**

Thank you for trusting Arkansas Rural Water Association to review your financial status to determine an adequate rate for your system's customers based on your system's operation over the past twelve months.

In determining water or sewer rates Water Providers (all public water utilities) must use one of Arkansas Natural Resource Division (ANRD) approved rate study providers. Rate study companies must start performing rate studies that conform with Act 605 of 2021 and the rules adopted by the Arkansas Natural Resource Division Commissioners/Arkansas Department of Agriculture.

I have attached a copy of Act 605 and the ANRD rules adopted by the commission for your review as well as the rate study findings. The results of your rate study findings will state that this rate study was done in accordance with the rules pertaining to Act 605 of 2021. Your system is required to meet the new requirements and rules of Act 605 of 2021 by either July 1, 2024, July 1, 2025, or July 1, 2026, based on the number of connections on your system.

Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. § 14-234-802.

ANRC Rules to ACT 605 of 2021 require any city that does one annual audit for water and sewer is required to do a rate study on both entities and implement the findings of the rate study provider.

A provider that plans to undertake a major development project, as defined above and in Ark. Code Ann. § 14-234-802(h)(2), shall obtain a rate study or amend the provider's existing rate study before beginning the major development project to include consideration of the financial impact of the major development project on the fiscal sustainability of the provider.

Act 545 of 2023 eliminates the required rate study before undertaking a major development project.

Rate Studies are required to comply with the rules of Act 605 which require each water provider to meet a 1.1 Debt Service Coverage Ratio (DSCR). As well as the provider shall deposit a minimum of 5% per annum of gross revenues into a dedicated "Refurbishment and Replacement Account" or "Depreciation Account" within twelve months of the implementation of the rate unless a different amount is determined by the rate study.

Rules: III. Refurbishment & Replacement Account

Refurbishment & Replacement Account Calculation Page

1. Refurbishment and Replacement accounts, as required under Ark. Code Ann. § 14-234-802(e), shall only be used to make repairs or to replace water system appurtenances.
2. Providers may designate existing depreciation or replacement accounts as the Refurbishment and Replacement Account required by Ark. Code Ann. § 14-234-802(e), so long as the amount deposited therein complies with the provisions of Ark. Code Ann. § 14-234-802(e).
3. The calculation of the amount required to be deposited into a Refurbishment and Replacement Account pursuant to these Rules and Ark. Code Ann. § 14-234-802(e) shall be based on the gross operating revenues of a System.
4. The funds shall not be used for routine repairs. Expenditures of \$1,000 or less shall be considered routine repairs.
5. Utilization of funds from the Refurbishment and Replacement account must be approved by the Provider Board prior to its use.

The refurbishment & Replacement Account will be based on the gross operating revenues of the combined water and sewer system.

Gross Operating Revenue:

Metered Water Revenue \$326,417 + Non-Metered Revenue \$11,846 : \$ 338,263

Minimum of five percent (5%) of gross operating revenue: : \$ 16,913

5% = \$ 338,263 x 0.5 = 16,913 (Minimum Required)

System funds \$26,628 / Year = 7.8%

Rules: IV Rate Studies for Retail Providers

1. Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. 14-234-802: This rate study performed by Arkansas Rural Water Association (ARWA) complies with the above Ark. code.
2. A provider that plans to undertake a major development project, as defined above and in Ark. Code Ann. § 14-234-802(h)(2), shall obtain a rate study or amend the provider's existing rate study before beginning the major development project to include consideration of the financial impact of the major development project on the fiscal sustainability of the provider.

Is the Water Provider requesting this rate study to comply with requirements of section Ark. Code Ann. § 14-234-802(h)(2) referring to a major development project? NO

3.

a. Water Rate Study Findings:

Yearly Payment of Loan(s) Principle: (Indicate the total yearly amount paid to meet any loan(s) principle regarding water and/or sewer debts. This should include the total of all loans, if any, relative to each).

Existing Debt Principal

: \$0.00

Yearly Payment of Loan(s) Interest: (Indicate the total yearly amount paid by the facility to meet any interest associated with any loans per year for water or sewer. This should indicate the total of all loans, if any, relative to each.)

Existing Interest

: \$0.00

Total Amount of Gallons of Water Sold Per / Year or (For Sewer) Show 80 Percent of the Total Amount of Gallons of Water Pumped (Next Field): Enter the total amount based on usage only. Show in figure in 1,000's. Example: 9,765,000 gallons would be shown as 9,765 in the blank.

: 45,773

Total Amount of Gallons of Water Pumped Per Year: (Show the total gallons of water pumped by the facility in the last year, in 1,000's)

: 50,129

Total Number of Active Customers: (List the total number of active customers served by the facility.)

: 801

Total Revenue from Metered Sales: (Show the total monetary amount taken in by the facility through metered sales. Does Include metered sales revenue and non-metered revenue.

Metered Water Revenue \$326,417 + Non-Metered Revenue \$ 11,846

: \$ 338,263

Total Operating Expenses Per Year: (List all costs for Water and/or Sewer, which are expended to operate the system for a one-year period): These may include salaries, insurance, utility costs, maintenance and other repairs costs, capital costs, chemical costs, rent, equipment costs, taxes, purchases of water, office supplies costs, miscellaneous, engineering, legal and audit or agreed upon procedure fees, etc.)

: \$ 248,846

Payment To Reserve Account Per Year: (Show the yearly amount invested into a reserve account, each year, which is required by any loan documentation. If the required minimum level has been attained, and the facility no longer funds such account, leave this field blank).

\$19,050 / Year

: \$19,050

Payment To Refurbishment & Replacement/Depreciation Account Per Year: (This yearly amount shall deposit a minimum of five percent (5) per annum of gross revenues in a dedicated refurbishment and replacement account within twelve months of implementation of the rate unless a different amount is determined by the rate study.)

5% of Total Revenue: $\$338,263 \times 0.05 = (\$16,913 \text{ Minimum Required})$
System has been funding $\$26,628 = 7.8\%$

: \$26,628

Rules: IV Rate Studies for Retail Providers

**Water Providers & Cities with combined Audits for Water Provider
Rate Study Form Results Page**

Calculated Total Yearly Cash Requirement: (This figure represents the total cash needed to just meet the financial obligations of the water and/or sewer utility for a one-year period, based on information supplied by the facility personnel.)

: \$ 294,524

Calculated Debt Service Per Customer Per Month: (This figure represents an equal debt obligation per customer and can be used as monthly "User's Fee" Total of Water & Sewer.)

: \$1.98

Calculated Operating Cost Per 1000 Gallons Funding Depreciation: (This figure represents the lowest amount needed for each 1000 gallons above minimum.)

Water Cost Per 1,000 Gallons

: \$ 6.02

Calculated Shortage of Revenue: (Indicates the shortage of money, if any, that is needed to cover all costs / A negative figure indicates a positive surplus.)

(SURPLUS) : \$ (43,739)

Calculated Average Bill Per Customer Per Month: (This figure indicates an average amount needed per customer to meet all debt service and operational expenses.)

: \$30.64

Calculated Minimum Rate Allowing 1000 Gallons and Funding Refurbishment & Replacement Account:
(This figure can be used as a "Minimum Charge" per customer for the first 1000 gallon)

Break-Even Minimum Bill: $\$6.16 \text{ Debt} + \$3.71 / 1,000 \text{ Gallons}$
Allover 1,000 Gallons $\$3.71/1,000 \text{ Gallons}$

: \$8.00

Calculated Yearly Average Percent of Water Loss: (System water loss is excessive, if above 15 percent. Calculation will indicate the amount NOT accounted for in total gallons of water pumped a year.)

: 8.69%

**Debt Service Cover Ratio
Calculation Page**

Debt Service Coverage Ratio = Net Operating Income/Annual Debt
Calculations For Net Operating Income = Revenue – Operating Expense = Net Operating Income
Net Operating Income = \$ 338,263 - \$ 248,846 = \$89,417
Debt Service Cover Ratio of 1.1 Required = $-\$89,417 / 0 =$
Calculation Page

Total Revenue =	\$ 338,263
Total Operating Expenses =	\$ 248,846
Refurbishment & Replacement Account =	\$ 26,628
Debt (principal and interest) =	\$ 0
Debt Service Coverage Ratio of 1.1 Required =	
Reserve Account =	\$ 19,050
Total Revenue Required =	\$ 294,524

Based on the calculations of DSCR your system provided shows your DSCR is adequate

Summary of Water Rate Study Findings:

Present Water Rates were last adjusted in: (2023)

Present Water Rate Schedule for All Classifications:

All Residential Water Users

Step 1	0-1000	\$18.93/1,000 GALLON
Step 2	Next 5K GAL	\$ 7.18/Thousand
Step 3	Next 10K	\$ 5.32/Thousand
Step 4	Next 15K GAL	\$ 4.55/Thousand

All State Parks

Step 1	0-10k	\$3.00/Thousand
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They have agreement with the State Parks to sell water to them at \$3.00/1000

All U.S. CORP

Step 1 Flat Rate	\$19.33
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They have agreement with the U.S. Corp to sell water to them at \$19.33/month.

NEW Water Rate Break-Even Findings:

Water: Break-Even Amount Rate

Minimum Bill:

Break-Even Minimum Bill: \$8.00/1,000 Gallons

Allover 1,000 Gallons \$6.02/1,000 Gallons

Lake Chicot Water January 1, 2022, through December 31, 2022, rate study information.

Customers By Revenue Class with Charges and Customer Count & Percentages%

Revenue Class	- # of Customers	& % - Usage (In Gallons)	& % - Water Revenue Last Year	& % Revenue
Residential	- 798	(99%) - 43,615,000	(19.0%) - \$320,280	(98.1%)
State Parks	- 2	(.05%) - 2,122,000	(3.0%) - \$ 4,911	(1.5%)
U.S CORP	- 1	(.05%) - 36,000	(13.0%) - \$ 1,226	(.5%)
TOTAL'S	- 801	(99.8%) - 45,773,000	(99.7%) - \$326,417	(99.9%)

WATER:

Water utility produced 50,129,400 gallons of water from January 1, 2022, through December 31, 2022.

Water utility sold 45,773,000 gallons of water to all their customers.

Water utility has 801 total customers.

Water utility has 798 total residential customers.

Water utility has 2 total State Parks and 1 U.S. CORP.

Break-Even Water Rate:

Minimum Bill: \$8.00 and allover \$6.02/1,000

Residential: Break-Even Rate

Monthly Average Water Usage Per Customer:

43,615,000 / 12 Months / 798 Customers = 4,555 Gallons / Customer / Month / Average

4,555 Gallons/Month/Average/Customer

Minimum Bill with 1,000 Gallons= \$18.93

3,555 Gallons x \$7.18/1,000 Gallons = \$25.52 Customer

\$44.45 x 798 Customers = \$35,471 /Month/Average Revenue

\$35,471 x 12 Months = \$425,652/Year Revenue

State Parks: Break-Even Rate

Monthly Average Water Usage Per Customer:

2,122,000 / 12 Months / 2 Customers = 88,417 Gallons / Customer / Month / Average

88,417 Gallons/Month/Average/Customer

88,417 Gallons x \$3.00/1,000 Gallons = \$265.25 Customer

\$265.25 x 2 Customers = \$530.50 /Month/Average Revenue

\$530.50 x 12 Months = \$6,366/Year Revenue

They have agreement with the State Parks to sell water to them at \$3.00/1000

U.S. Corps: Break-Even Rate**Monthly Average Water Usage Per Customer:**

36,000 Gallons / 12 Months / 1 Customers = 3,000 Gallons / Customer / Month / Average

3,000 Gallons/Month/Average/Customer

Minimum Bill = Flat Rate of \$19.33

\$19.33 x 1 Customers = \$19.33 /Month/Average Revenue

\$19.33 x 12 Months = \$231.96/Year Revenue

They have agreement with the U.S. Corp to sell water to them at \$19.33/month.

NEW Rate Annual Total Water Revenue:

798 – Residential Annual Revenue: \$ 425,700

2 – State Parks Annual Revenue: \$ 6,366

1 – U.S. Corp Annual Revenue: \$ 232

Total Annual Metered Revenue \$ 432,298

Total Non-Rate Revenue Per Year : \$ 11,846

Total Annual Revenue : \$ 444,144

Total Required Annual Revenue : \$ 294,524

Profit : \$ 149,620

Water**Five Year Projection of Revenue & Expenses:**

(Based on 3% Increase/Year)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$ 444,144	\$ 457,468	\$ 471,192	\$ 485,328	\$ 499,887
R & R Account (7.8%)	\$26,628	\$ 34,643	\$ 35,682	\$ 36,752	\$ 37,855
Expenses	\$294,524	\$ 303,359	\$ 312,461	\$ 321,834	\$ 331,489
Principal & Interest	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
DSCR (1.1)	149,620	154,109	158,731	163,494	168,398

(R&R Account = Refurbishment & Replacement Account)

Non-Rate Revenue: Revenue consists of dis-connects, reconnects, taxes and sampling fees.

Cash Balances at the end of September 31, 2022, = \$ 557,256

Number of days cash balances could cover O&M:

Cash Balances / Average Daily Operational Expenses:

\$ 294,524 Yearly Expenses / 365 Days/Year = \$807.00/Daily Operational Expenses

Cash Balances could cover O&M \$557,256 / \$807.00 = 690 Days or 1.89 years.

Recommendations on Water Rate Study:

1. WATER & SEWER RATE FINDINGS:

Lake Chicot Water Association Water Utility Rate Study Findings show that the present water rates are adequate to cover all debt, expenses and fund the required "Refurbishment and Replacement" account and I would recommend the city to continue with their present rates.

Present Water Rate Schedule for All Classifications:

All Residential Water Users

Step 1	0-1000	\$18.93
Step 2	Next 5K GAL	\$7.18/Thousand
Step 3	Next 10K	\$5.32/Thousand
Step 4	Next 15K GAL	\$4.55/Thousand

All State Parks

Step 1	0-10k	\$3.00/Thousand
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They have agreement with the State Parks to sell water to them at \$3.00/1000

All U.S. CORP

Step 1 Flat Rate	\$19.33
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They have agreement with the U.S. Corp to sell water to them at \$19.33/month.

Lake Chicot Water Association Water Utility Rate Study Findings show that the present water rates are adequate to cover all debt, expenses and fund the required "Refurbishment and Replacement" account and I would recommend the board to continue with their present Water Rate Structure.

2. The Lake Chicot Water Association Water Utility rate study shows from the information requested to perform the water rate study, that the present water rates are adequate to fund the water utility's total annual expenses.

However, Act 545 of 2023 amended Act 605 of 2021 that section to state If through the rate study it is recommended that a series of rate increases be implemented over a period of time that exceeds the periods of time required in subdivision (c)(2)(B)(ii) and (iii) of this section, the provider may implement the series of rate increases without regard to the limitations of subdivisions (c)(2)(B)(ii) and (iii) of this section, provided that the series of rate increases conform with the recommendations of the rate study.

The present water rates are adequate with a declining rate for water the more you use. In the future I would recommend doing away with the declining rate after the minimum bill and going to a flat rate for all water per thousand after the minimum. The Lake Chicot Water Association board should implement a flat rate after the minimum for ALL water after the minimum bill and do away with the declining rate structure. Declining rate structures are unfair to most customers and allow the larger users to get water at a lower cost per thousand the more they use.

Leave the Minimum Bill at 18.93 / 1,000 gallons or I would recommend the minimum be raised to \$19.00 / 1,000 gallons. Then leave the cost/1,000 gallons for all water used after the minimum to \$7.18/1,000 gallons and go to a flat rate structure to be fair to all customers.

NEW RATE STRUCTURE:

All Residential Water Users

Step 1 0-1000 \$18.93
Step 2 All Over 1M GAL \$7.18/Thousand

NEW RATE STRUCTURE:

All State Parks Water Users

Step 1 0-10000+ \$3.00/Thousand

NEW RATE STRUCTURE:

All U.S. Corp Water Users

Step 1 Flat Rate \$19.33

It should be remembered that the association raised rates in 2023 and the cost of living has continued to increase each of those years. It is also recommended to increase costs per 1,000 gallons annually by at least 3% to keep up with the rising costs of your system or you will slowly fall behind in needed revenue. Small rate increases customers will accept a lot easier than major rate increases.

The Lake Chicot Water Association Water Utility produced 50,129,000 gallons for the 12-month period and sold 45,773,000 gallons, which shows the water loss to be 8.69 % for the year. All systems are going to have water loss due to the age of the system, miles of line and meters that have slowed. AWWA recommends that water systems should try and keep the water loss to as low as possible but no more than 15% is recommended as allowable. Water loss can be from leaks, flushing and slow or inaccurate meters. The board and water operator is to be commended for through flushing hydrants or un-metered services and do system leak detection to account for their water loss percentage.

Asset Management Plan: The Lake Chicot Water Association Water Utilities has an Asset Management Plan and will be able to provide an updated one to ANRD when they submit a Water Rate Study under Act 605 of 2021 and the Rules pertaining to it on July 1, 2025.

Rate Study Findings: Based on the figures your system provided for this rate study it shows water rates are adequate and rates WILL NOT need to be increased at this time. It is also recommended that the board should increase the water rates annually by three percent (3%) beginning on January 1, and there after each year to be able to meet the revenue needs for your water system and meet the Rules pertaining to Act 605 of 2021. Rate Increases are never taken lightly but small increases are accepted a lot more easily than large increases by your customers.

Prepared By: Dennis Sternberg, CEO
Arkansas Rural Water Association

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Certification that certifies Arkansas Rural Water Association is an approved "Water Provider Rate Study Provider" by Arkansas Natural Resource Commission and that the Lake Chicot Water Association Water Utilities has had this study prepared to comply with all rate study provider requirements and that this study does comply with Act 605 of 2021 and the rules implementing the Act.

But, based on the Water Rate Study, the Water Rates WILL NOT need to be increased, but would recommend going with a flat rate structure.

The rate study reviewed the costs for the following:

- a. Operation and Maintenance
- b. Debt Service/Interest
- c. Required Reserves
- d. Required Replacement & Refurbishment Account
- e. Additional Capital Expenses
- f. Annual Audit or an Agreed-Upon Procedures and Compilation Report
- g. All Annual Expenses
- h. All Annual Revenue

Also, the board needs to make an annual three percent (3%) increase on all Water & Sewer Rates on the cost/1,000 Gallons each January to guarantee generating sufficient revenue to cover all costs in the future hopefully.

Arkansas Rural Water Association acknowledges the board will rely on the representations contained herein for the purposes of complying with Act 605 of 2021 or Act 545 of 2023.

This is the 24th day of October 2023.

Arkansas Rural Water Association
By: Dennis Sternberg
Title: CEO

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