

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
Hot Springs, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2022 and 2021
and
INDEPENDENT AUDITOR'S REPORT**

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
Hot Springs, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2022 and 2021

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Berry & Associates
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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**To the Board of Directors of
North Garland County Regional Water District
Hot Springs, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Qualified Opinions

We have audited the accompanying financial statements of the North Garland County Regional Water District, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the North Garland County Regional Water District's basic financial statements as listed on the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Garland County Regional Water District as of September 30, 2022 and 2021, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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 the North Garland County Regional Water District, and to meet our other ethical responsibilities, in accordance with 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 qualified opinion.

Matter Giving Rise to the Qualified Opinion

Management has not changed its method of accounting for pensions during the years ended September 30, 2022 and 2021, by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the North Garland County Regional Water District has not been determined.

Responsibilities 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 the North Garland County Regional Water District'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.

Board of Directors
North Garland County Regional Water District

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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Garland County Regional Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Garland County Regional Water District'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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the 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 information on page 17 be presented to supplement the basic financial statements. Such information, 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 the 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.

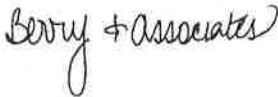
Board of Directors
North Garland County Regional Water District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Garland County Regional Water District's basic financial statements. The Supplementary Information Required by the USDA Rural Development 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 Required by the USDA Rural Development 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 November 29, 2022 on our consideration of the North Garland County Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Garland County Regional Water District'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 the North Garland County Regional Water District's internal control over financial reporting and compliance.



Berry & Associates, P.A.
Little Rock, Arkansas
November 29, 2022

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2022 and 2021

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ASSETS

CURRENT ASSETS

	2022	2021
Cash and cash equivalents	\$ 1,978,599	\$ 1,531,143
Accounts receivable, net of allowance for doubtful accounts	158,054	160,307
Other receivables	1,307	177,163
Prepaid expenses	7,519	6,859
Total current assets	<u>2,145,479</u>	<u>1,875,472</u>

NON-CURRENT ASSETS

Restricted cash and cash equivalents	856,522	838,219
Deposit held by lender	24,154	24,154
Water storage, net of accumulated amortization of \$456,046 and \$382,542 in 2022 and 2021, respectively	1,718,297	1,791,801
Capital assets		
Capital assets, net of accumulated depreciation	<u>13,998,647</u>	<u>13,999,157</u>
TOTAL ASSETS	<u><u>\$ 18,743,099</u></u>	<u><u>\$ 18,528,803</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current maturities of long-term debt	\$ 536,800	\$ 518,800
Accounts payable	25,217	8,843
Retainage payable	-	46,598
Payroll taxes payable	1,002	1,158
Sales tax payable	16,321	15,612
Other current liabilities	25,000	-
Accrued wages payable	31,953	29,423
Accrued interest payable	123,143	137,673
Total current liabilities	<u>759,436</u>	<u>758,107</u>

LONG-TERM DEBT, net of current maturities

	<u>9,976,299</u>	<u>10,508,206</u>
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LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Customer water meter deposits	<u>274,375</u>	<u>265,762</u>
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TOTAL LIABILITIES

	<u>11,010,110</u>	<u>11,532,075</u>
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NET POSITION

Net investment in capital assets	5,203,845	4,763,952
Unrestricted	2,512,704	2,216,336
Temporarily restricted	16,440	16,440
Total net position	<u>7,732,989</u>	<u>6,996,728</u>

TOTAL LIABILITIES AND NET POSITION

	<u><u>\$ 18,743,099</u></u>	<u><u>\$ 18,528,803</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water revenue	\$ 2,267,592	\$ 2,177,307
Connection fees	69,583	69,909
Late charges and penalties	47,326	42,881
Facilities upgrade fees	99,542	97,965
Other revenue	126,477	140,203
Total operating revenues	<u>2,610,520</u>	<u>2,528,265</u>
OPERATING EXPENSES		
Salaries	456,930	447,768
Professional fees	17,318	15,724
Bad debts	4,629	4,559
Depreciation	640,433	604,377
Amortization	73,504	73,504
Auto expenses	33,470	21,788
Repairs and maintenance	210,234	147,739
Director's fees	7,200	7,000
Insurance	128,616	136,732
Retirement expense	68,389	65,255
Payroll taxes	35,035	33,974
Materials and supplies	357,561	249,972
Office expense	12,564	12,827
Postage	17,548	14,701
Utilities	95,090	110,209
Telephone	18,538	20,290
Rent	-	12,000
Licenses, permits, and fees	6,491	7,037
Other expenses	28,441	24,839
Total operating expenses	<u>2,211,991</u>	<u>2,010,295</u>
OPERATING INCOME	398,529	517,970
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,738	2,423
Interest expense	(295,176)	(404,284)
Loss on disposal of capital assets	-	(2,893)
Other income	630,170	815,113
Net non-operating revenue	<u>337,732</u>	<u>410,359</u>
CHANGE IN NET POSITION	736,261	928,329
NET POSITION AT BEGINNING OF YEAR	<u>6,996,728</u>	<u>6,068,399</u>
NET POSITION AT END OF YEAR	<u>\$ 7,732,989</u>	<u>\$ 6,996,728</u>

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

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,612,773	\$ 2,518,383
Cash payments for services	(859,458)	(826,038)
Cash payments to employees	(456,930)	(447,768)
Net cash provided by operating activities	<u>1,296,385</u>	<u>1,244,577</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(520,184)	(512,233)
Interest payments on long-term debt	(309,704)	(325,378)
Purchase of capital assets	(633,646)	(370,539)
Other income received	630,170	815,113
Payments on construction in progress	-	(806,233)
Net cash used by capital and related financing activities	<u>(833,364)</u>	<u>(1,199,270)</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(18,303)	138,051
Interest received	2,738	2,423
Net cash provided (used) by investing activities	<u>(15,565)</u>	<u>140,474</u>
NET INCREASE IN CASH AND RESTRICTED CASH	447,456	185,781
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,531,143</u>	<u>1,345,362</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,978,599</u>	<u>\$ 1,531,143</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 398,529	\$ 517,970
Adjustment to reconcile operating income to net cash provided by operating activities:		
Provision for loss on disposal of capital assets	-	2,893
Depreciation and amortization	713,937	677,881
(Increase) / Decrease In:		
Accounts receivable	2,253	(9,882)
Other receivables	175,856	178,377
Other current assets	(660)	(103)
Increase / (Decrease) In:		
Accounts payable	16,372	(143,379)
Retainage payable	(46,598)	8,387
Customer meter deposits	8,613	10,050
Accrued wages	2,530	7,670
Other accrued liabilities	25,553	(5,287)
Total adjustments	<u>897,856</u>	<u>726,607</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,296,385</u>	<u>\$ 1,244,577</u>

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

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Date of Management's Review

Subsequent events have been evaluated through November 29, 2022, which is the date the financial statements were available to be issued. The District raised rates effective October 1, 2022. New rate schedule is included in the Supplementary Information Required by the USDA Rural Development.

Organization

North Garland County Regional Water District (the "District") was formed in 1987 as a public nonprofit organization, under the laws of the State of Arkansas. The purpose of North Garland County Regional Water District is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area. The District is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

Basis of Presentation and Accounting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Allowance for Doubtful Accounts

The District carries its accounts receivable at cost, less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts receivable balances and establishes an allowance for doubtful accounts based on history of past write offs, collections and current credit considerations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Certain proceeds of the District's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the District are also considered restricted.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont.):

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

	<u>Years</u>
Water system	10-50
Equipment	5-7
Buildings	40
Leasehold Improvements	7-40
Automobiles	5

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

Equity Classifications

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Temporarily Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net assets that do not meet the definition of "restricted."

Income Taxes

The District was formed to serve as a government instrumentality of the State of Arkansas under The Regional Water Distribution District Act of 1957. The District is exempt from income taxes.

Cash Equivalents

For the purpose of the Statement of Cash Flows, North Garland County Regional Water District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables

The District has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of September 30, 2022 management had determined that minimal additional accounts needed to be written off. Bad debt expense for the year ended September 30, 2022 and 2021 was \$4,629 and \$4,559, respectively.

Budgets and Budgetary Accounting

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

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont.):

Adoption of GASB 87

Effective October 1, 2021, the District adopted GASB Statement No. 87, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of revenues and expenses. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The adoption of GASB Statement No. 87 resulted in the recognition of a financing lease of \$6,277 and a long-term liability of \$6,277 as of October 1, 2021. Results for periods beginning prior to October 1, 2021 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of GASB Statement No. 87 did not have a material impact on the District's results of operations or cash flows.

NOTE 2 - LONG-TERM DEBT:

Long-term debt at September 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Loan payable to USDA, due in monthly installments of \$1,366, including interest at 4.25% (1)	\$ 225,218	\$ 231,885
Revenue bond payable to Bank OZK, due in varying monthly installments, including interest at a variable rate starting November 1, 2019 (2)	8,555,000	9,015,000
Loan payable to Mid-Arkansas Water Alliance, due in annual installments of \$96,618, including interest at 2.49% beginning May 2017 (2)	1,728,007	1,780,121
Financing lease payable to Datamax, due in monthly installments of \$120, including implicit interest at 3.25 %. (2)	4,874	-
	<u>10,513,099</u>	<u>11,027,006</u>
Less Current Portion	<u>(536,800)</u>	<u>(518,800)</u>
Long Term Portion	<u>\$ 9,976,299</u>	<u>\$ 10,508,206</u>

(1) The revenue bonds have restrictive covenants, including the requirements to accumulate a debt service reserve in monthly installments of \$137 over a ten-year period. To be fully funded, the debt service reserve must equal \$16,440.

(2) The loan/bond has no restrictive covenants.

Annual maturities of long-term debt at September 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 536,800	\$ 293,600	\$ 830,400
2024	563,300	277,475	840,775
2025	580,000	260,550	840,550
2026	596,374	243,141	839,515
2027	542,200	226,160	768,360
2028-2032	2,594,200	929,355	3,523,555
2033-2037	2,702,100	566,971	3,269,071
2038-2042	2,022,700	160,707	2,183,407
2043-2046	375,425	20,865	396,290
	<u>\$ 10,513,099</u>	<u>\$ 2,978,824</u>	<u>\$ 13,491,923</u>

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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

Long-term liability activity for the years ended September 30, 2022 and 2021 is as follows:

	Balance 9/30/21	Additions	Retirements	Balance 9/30/22	Due Within One Year
Long Term Debt					
Loans	\$ 2,012,006	\$ 6,277	\$ (60,184)	\$ 1,958,099	\$ 61,800
Water Revenue Bonds	9,015,000	-	(460,000)	8,555,000	475,000
	<u>\$ 11,027,006</u>	<u>\$ 6,277</u>	<u>\$ (520,184)</u>	<u>\$ 10,513,099</u>	<u>\$ 536,800</u>

	Balance 9/30/20	Additions	Retirements	Balance 9/30/21	Due Within One Year
Long Term Debt					
Loans	\$ 2,069,239	\$ -	\$ (57,233)	\$ 2,012,006	\$ 58,800
Water Revenue Bonds	9,470,000	-	(455,000)	9,015,000	460,000
	<u>\$ 11,539,239</u>	<u>\$ -</u>	<u>\$ (512,233)</u>	<u>\$ 11,027,006</u>	<u>\$ 518,800</u>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$10,513,099 in loans and revenue bonds. Proceeds from the loans/bonds were used for building of the District's water system. Principal and interest on the bonds are payable through 2046, solely from the water customer net revenues. Principal and interest paid in the year ended September 30, 2022 were \$520,184 and \$309,704, respectively. Principal and interest paid in the year ended September 30, 2021 were \$512,233 and \$325,378, respectively.

NOTE 3 - LEASE COMMITMENTS:

The District leases office equipment. The lease agreement commenced on June 10, 2021 and expires on June 10, 2026. The lease does not include an option of purchase the equipment at the end of the lease term. Where the implicit interest rate of the lessor was unknown, the District elected to use their incremental borrowing rate of 3.25%.

The office equipment has been classified as a finance lease and grouped with Fixed Assets at Cost. The liability related to this financing lease has been grouped with long-term debt and disclosed in Note 2.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS:

All funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the District's name.

NOTE 5- COMMITMENTS:

The District started a project to clean, paint, and repair a water storage tank during the year ended September 30, 2022. The District has entered into a contract with a construction contractor for the amount of \$198,800. As of September 30, 2022, the District has not incurred any costs on this contract.

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 6 – CAPITAL ASSETS:

A summary of changes in property, plant and equipment for the years ended September 30, 2022 and 2021 are as follows:

	Balance 9/30/2021	Additions	Deletions/ Transfers	Balance 9/30/2022
Automobiles	\$ 181,000	\$ 54,804	\$ -	\$ 235,804
Buildings	1,117,691	-	-	1,117,691
Computer Equipment	14,209	3,700	-	17,909
Equipment	150,190	-	-	150,190
Furniture	1,056	5,775	-	6,831
Land	133,462	-	-	133,462
Leasehold Improvements	56,400	-	-	56,400
Office Equipment	40,903	6,277	-	47,180
Plant and Distribution	21,391,489	1,877,069	(1,357)	23,267,201
Construction in Progress	1,307,703	-	(1,307,703)	-
Total	24,394,103	\$ 1,947,625	\$ (1,309,060)	25,032,668
Less: Accumulated Depreciation	(10,394,946)			(11,034,021)
Total Capital Assets	\$ 13,999,157			\$ 13,998,647

	Balance 9/30/2020	Additions	Deletions/ Transfers	Balance 9/30/2021
Automobiles	\$ 190,858	\$ 20,873	\$ (30,731)	\$ 181,000
Buildings	840,830	276,861	-	1,117,691
Computer Equipment	19,940	-	(5,731)	14,209
Equipment	141,302	17,129	(8,241)	150,190
Furniture	1,056	-	-	1,056
Land	133,462	-	-	133,462
Leasehold Improvements	9,268	56,400	(9,268)	56,400
Office Equipment	40,903	-	-	40,903
Plant and Distribution	19,827,170	1,570,915	(6,596)	21,391,489
Construction in Progress	2,077,014	806,233	(1,575,544)	1,307,703
Total	23,281,803	\$ 2,748,411	\$ (1,636,111)	24,394,103
Less: Accumulated Depreciation	(9,848,241)			(10,394,946)
Total Capital Assets	\$ 13,433,562			\$ 13,999,157

NOTE 7 – ARKANSAS PUBLIC EMPLOYEE RETIREMENT PENSION PLAN:

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5.25% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll.

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021**

NOTE 7 – ARKANSAS PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (Con't):

The District's contributions to APERS for the years ending September 30, 2022 and 2021 were \$68,389 and \$65,255, respectively, equal to the required contributions for the year.

Implementation of GASB 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective with years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its' proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal.

NOTE 8- RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for bond payments and a debt service reserve (see Note 2).

The following is a list of the restricted cash at September 30:

	2022	2021
Meter deposits	\$ 288,390	\$ 279,061
Debt service reserves	21,126	21,077
Accounts held in trust	547,006	538,081
	<u>\$ 856,522</u>	<u>\$ 838,219</u>

SUPPLEMENTARY INFORMATION



Berry & Associates
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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To the Board of Directors of
North Garland County Regional Water District
Hot Springs, Arkansas

**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***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Garland County Regional Water District (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

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To the Board of Directors of
North Garland County Regional Water District
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Purpose of this Report

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

Berry & Associates

Berry & Associates, P.A.
Little Rock, Arkansas
November 29, 2022

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT
September 30, 2022**

WATER RATE SCHEDULES:

<u>Water Rates</u>	<u>In Effect Through September 30, 2022</u>	<u>Effective October 1, 2022</u>
	<u>Per Thousand Gallons</u>	<u>Per Thousand Gallons</u>
Residential and Commercial:		
First 1,000 gallons	\$ 25.00	\$ 25.86
All over 1,000 gallons	\$ 6.82	\$ 6.98

<u>Meter Size (Inch)</u>	<u>Minimum Rate</u>	<u>Minimum Rate</u>
5/8	\$ 25.00	\$ 25.86
1	\$ 34.92	\$ 36.03
1 1/2	\$ 44.83	\$ 45.94
2	\$ 72.08	\$ 74.12
3	\$ 272.80	\$ 279.89
4	\$ 347.14	\$ 356.05
6	\$ 520.61	\$ 533.86

At September 30, 2022 water service was provided to approximately 3,259 users.

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are properly maintained.

BOARD MEMBERS:

<u>Name</u>	<u>Title</u>
Jack Fields	President
Jerry Vaughn	Vice President
David Harper	Secretary/Treasurer
Randy Ragsdale	Director
Jimmy Don Daley	Director
Joe Turner	Director
Velton Lacy	Director

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT (Continued)
September 30, 2022**

INSURANCE SCHEDULE:

	<u>Amount of Coverage</u>	<u>Policy Period</u>
Liberty Mutual		
Fidelity Bond	\$ 311,000	May 2, 2022 to May 2, 2023
Employers Mutual Casualty Company		
Commercial Vehicle		
Liability	1,000,000	October 15, 2021
Auto Medical Payments	5,000	to October 15, 2022
Uninsured Motorists	1,000,000	
Underinsured Motorists	1,000,000	
Workers Compensation	Statutory	October 15, 2021 to October 15, 2022
Commercial Property	13,540,404	October 15, 2021 to October 15, 2022
General Liability	2,000,000	October 15, 2021 to October 15, 2022
Commercial Inland Marine	50,549	October 15, 2021 to October 15, 2022
Commercial Umbrella	1,000,000	October 15, 2021 to October 15, 2022
Linebacker	1,000,000	October 15, 2021 to October 15, 2022

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
OPERATING REVENUES				
Water revenue	\$ 2,158,800	\$ 2,158,800	\$ 2,267,592	\$ 108,792
Connection fees	50,000	50,000	69,583	19,583
Late charges and penalties	37,000	37,000	47,326	10,326
Facilities upgrade fees	97,900	97,900	99,542	1,642
Other revenue	133,900	133,900	126,477	(7,423)
Total operating revenues	<u>2,477,600</u>	<u>2,477,600</u>	<u>2,610,520</u>	<u>132,920</u>
OPERATING EXPENSES				
Salaries	430,029	430,029	456,930	(26,901)
Contract labor	13,000	13,000	-	13,000
Professional fees	26,600	26,600	17,318	9,282
Bad debts	-	-	4,629	(4,629)
Depreciation	-	-	640,433	(640,433)
Amortization	-	-	73,504	(73,504)
Auto expenses	31,200	31,200	33,470	(2,270)
Repairs and maintenance	146,450	146,450	210,234	(63,784)
Director's fees	12,000	12,000	7,200	4,800
Insurance	146,300	146,300	128,616	17,684
Retirement expense	64,951	64,951	68,389	(3,438)
Payroll taxes	33,086	33,086	35,035	(1,949)
Materials and supplies	225,000	225,000	357,561	(132,561)
Office expense	10,700	10,700	12,564	(1,864)
Postage	15,000	15,000	17,548	(2,548)
Utilities	118,450	118,450	95,090	23,360
Telephone	21,950	21,950	18,538	3,412
Licenses, permits, and fees	20,000	20,000	6,491	13,509
Other expenses	19,050	19,050	28,441	(9,391)
Total operating expenses	<u>1,333,766</u>	<u>1,333,766</u>	<u>2,211,991</u>	<u>(878,225)</u>
OPERATING INCOME	<u>1,143,834</u>	<u>1,143,834</u>	<u>398,529</u>	<u>(745,305)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	800	800	2,738	1,938
Interest expense	-	-	(295,176)	(295,176)
Other income	16,000	16,000	630,170	614,170
Net non-operating revenues (expenses)	<u>16,800</u>	<u>16,800</u>	<u>337,732</u>	<u>320,932</u>
CHANGE IN NET POSITION	<u>1,160,634</u>	<u>1,160,634</u>	<u>736,261</u>	<u>(424,373)</u>
NET POSITION AT BEGINNING OF YEAR	<u>6,996,728</u>	<u>6,996,728</u>	<u>6,996,728</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 8,157,362</u>	<u>\$ 8,157,362</u>	<u>\$ 7,732,989</u>	<u>\$ (424,373)</u>