

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
Hot Springs, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended September 30, 2023 and 2022
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, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

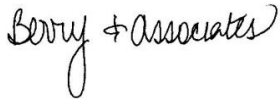
Board of Directors
North Garland County Regional Water District

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 21, 2023 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 21, 2023

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

ASSETS

CURRENT ASSETS	2023	2022
Cash and cash equivalents	\$ 1,862,702	\$ 1,978,599
Accounts receivable, net of allowance for doubtful accounts	181,925	158,054
Other receivables	99	1,307
Prepaid expenses	7,608	7,519
Total current assets	<u>2,052,334</u>	<u>2,145,479</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	896,694	856,522
Deposit held by lender	24,154	24,154
Water storage, net of accumulated amortization of \$529,550 and \$456,046 in 2023 and 2022, respectively	1,644,793	1,718,297
Capital assets		
Capital assets, net of accumulated depreciation	<u>13,479,622</u>	<u>13,998,647</u>
TOTAL ASSETS	<u><u>\$ 18,097,597</u></u>	<u><u>\$ 18,743,099</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 563,400	\$ 536,800
Accounts payable	50,479	25,217
Payroll taxes payable	1,093	1,002
Sales tax payable	17,960	16,321
Other current liabilities	25,000	25,000
Accrued wages payable	25,594	31,953
Accrued interest payable	116,578	123,143
Total current liabilities	<u>800,104</u>	<u>759,436</u>
LONG-TERM DEBT, net of current maturities	<u>9,412,968</u>	<u>9,976,299</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	<u>285,451</u>	<u>274,375</u>
TOTAL LIABILITIES	<u>10,498,523</u>	<u>11,010,110</u>
NET POSITION		
Net investment in capital assets	5,148,047	5,203,845
Unrestricted	2,434,587	2,512,704
Temporarily restricted	16,440	16,440
Total net position	<u>7,599,074</u>	<u>7,732,989</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 18,097,597</u></u>	<u><u>\$ 18,743,099</u></u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water revenue	\$ 2,305,812	\$ 2,267,592
Connection fees	97,450	69,583
Late charges and penalties	57,823	47,326
Facilities upgrade fees	102,838	99,542
Other revenue	<u>121,751</u>	<u>126,477</u>
Total operating revenues	<u>2,685,674</u>	<u>2,610,520</u>
OPERATING EXPENSES		
Salaries	494,698	456,930
Professional fees	27,282	17,318
Bad debts	9,930	4,629
Depreciation	678,492	640,433
Amortization	73,504	73,504
Auto expenses	32,064	33,470
Repairs and maintenance	429,033	210,234
Director's fees	9,600	7,200
Insurance	128,402	128,616
Retirement expense	72,149	68,389
Payroll taxes	38,579	35,035
Materials and supplies	389,553	357,561
Office expense	10,451	12,564
Postage	19,363	17,548
Utilities	105,536	95,090
Telephone	21,214	18,538
Licenses, permits, and fees	9,852	6,491
Other expenses	<u>22,531</u>	<u>28,441</u>
Total operating expenses	<u>2,572,233</u>	<u>2,211,991</u>
OPERATING INCOME	113,441	398,529
NON-OPERATING REVENUES (EXPENSES)		
Interest income	15,493	2,738
Interest expense	(290,424)	(295,176)
Gain on sale of capital assets	8,299	-
Other income	<u>19,276</u>	<u>630,170</u>
Net non-operating revenue	<u>(247,356)</u>	<u>337,732</u>
CHANGE IN NET POSITION	(133,915)	736,261
NET POSITION AT BEGINNING OF YEAR	<u>7,732,989</u>	<u>6,996,728</u>
NET POSITION AT END OF YEAR	<u><u>\$ 7,599,074</u></u>	<u><u>\$ 7,732,989</u></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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,661,803	\$ 2,612,773
Cash payments for services	(1,294,068)	(859,458)
Cash payments to employees	(494,698)	(456,930)
Net cash provided by operating activities	<u>873,037</u>	<u>1,296,385</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(536,731)	(520,184)
Interest payments on long-term debt	(295,631)	(309,704)
Purchase of capital assets	(159,468)	(633,646)
Proceeds from sale of capital asset	8,299	-
Other income received	19,276	630,170
Net cash used by capital and related financing activities	<u>(964,255)</u>	<u>(833,364)</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(40,172)	(18,303)
Interest received	15,493	2,738
Net cash used by investing activities	<u>(24,679)</u>	<u>(15,565)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(115,897)	447,456
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,978,599</u>	<u>1,531,143</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,862,702</u>	<u>\$ 1,978,599</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 113,441	\$ 398,529
Adjustment to reconcile operating income to net cash provided by operating activities:		
Provision for gain on sale of capital assets	(8,299)	-
Depreciation and amortization	751,996	713,937
(Increase) / Decrease In:		
Accounts receivable	(16,933)	2,253
Other receivables	1,208	175,856
Other current assets	(89)	(660)
Increase / (Decrease) In:		
Accounts payable	25,266	16,372
Retainage payable	-	(46,598)
Customer meter deposits	11,076	8,613
Accrued wages	(6,359)	2,530
Other accrued liabilities	1,730	25,553
Total adjustments	<u>759,596</u>	<u>897,856</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 873,037</u>	<u>\$ 1,296,385</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, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Date of Management's Review

Subsequent events have been evaluated through November 21, 2023, which is the date the financial statements were available to be issued. The District raised rates effective October 1, 2023. 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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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, 2023 management had determined that minimal additional accounts needed to be written off. Bad debt expense for the year ended September 30, 2023 and 2022 was \$9,930 and \$4,629, 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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Leases

The District calculates operating lease liabilities using their incremental borrowing rate, when the interest rate of the lessor is unknown or not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized. The office equipment leased 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 2 - LONG-TERM DEBT:

Long-term debt at September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Loan payable to USDA, due in monthly installments of \$1,366, including interest at 4.25% (1)	\$ 218,262	\$ 225,218
Revenue bond payable to Bank OZK, due in varying monthly installments, including interest at a variable rate starting November 1, 2019 (2)	8,080,000	8,555,000
Loan payable to Mid-Arkansas Water Alliance, due in annual installments of \$96,618, including interest at 2.49% beginning May 2017 (2)	1,674,590	1,728,007
Financing lease payable to Datamax, due in monthly installments of \$120, including implicit interest at 3.25 %. (2)	3,516	4,874
	<u>9,976,368</u>	<u>10,513,099</u>
Less Current Portion	(563,400)	(536,800)
Long Term Portion	<u>\$ 9,412,968</u>	<u>\$ 9,976,299</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, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 563,300	\$ 277,475	\$ 840,775
2025	580,000	260,550	840,550
2026	596,315	243,200	839,515
2027	542,200	226,160	768,360
2028	509,000	212,010	721,010
2029-2033	2,594,100	861,905	3,456,005
2034-2038	2,783,600	485,490	3,269,090
2039-2043	1,534,300	102,066	1,636,366
2044-2046	273,553	16,300	289,853
	<u>\$ 9,976,368</u>	<u>\$ 2,685,156</u>	<u>\$ 12,661,524</u>

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 - LONG-TERM DEBT, Continued:

Long-term liability activity for the years ended September 30, 2023 and 2022 is as follows:

	Balance 9/30/22	Additions	Retirements	Balance 9/30/23	Due Within One Year
Long Term Debt					
Loans	\$ 1,958,099	\$ -	\$ (61,731)	\$ 1,896,368	\$ 63,400
Water Revenue Bonds	8,555,000	-	(475,000)	8,080,000	500,000
	<u>\$ 10,513,099</u>	<u>\$ -</u>	<u>\$ (536,731)</u>	<u>\$ 9,976,368</u>	<u>\$ 563,400</u>
	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>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$9,976,368 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, 2023 were \$536,731 and \$295,631, respectively. Principal and interest paid in the year ended September 30, 2022 were \$520,184 and \$309,704, respectively.

NOTE 3 – 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 4- COMMITMENTS:

The District has been awarded an Arkansas Department of Agriculture's Natural Resources Commission loan in the amount of \$4,110,000 from the Arkansas Drinking Water State Revolving Loan Fund to fund the expansion of the water treatment plant and a new water storage tank. Of the \$4,110,000 awarded in loans, the District has received \$0 as of September 30, 2023.

NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 5 – CAPITAL ASSETS:

A summary of changes in property, plant and equipment for the years ended September 30, 2023 and 2022 are as follows:

	Balance 9/30/2022	Additions	Deletions/ Transfers	Balance 9/30/2023
Automobiles	\$ 235,804	\$ 61,605	\$ (49,730)	\$ 247,679
Buildings	1,117,691	-	-	1,117,691
Computer Equipment	17,909	-	-	17,909
Equipment	150,190	63,467	(1,399)	212,258
Furniture	6,831	1,586	-	8,417
Land	133,462	-	-	133,462
Leasehold Improvements	56,400	-	-	56,400
Office Equipment	47,180	-	-	47,180
Plant and Distribution	23,267,201	32,810	(83,979)	23,216,032
Total	25,032,668	\$ 159,468	\$ (135,108)	25,057,028
Less: Accumulated Depreciation	(11,034,021)			(11,577,406)
Total Capital Assets	\$ 13,998,647			\$ 13,479,622

	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

NOTE 6 – 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 5.50% 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, 2023 and 2022

NOTE 6 – ARKANSAS PUBLIC EMPLOYEE RETIREMENT PENSION PLAN, Continued:

The District's contributions to APERS for the years ending September 30, 2023 and 2022 were \$72,149 and \$68,389, 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 7- 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:

	2023	2022
Meter deposits	\$ 299,194	\$ 288,390
Debt service reserves	21,329	21,126
Accounts held in trust	576,171	547,006
	<u>\$ 896,694</u>	<u>\$ 856,522</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, 2023, 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 21, 2023.

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*.

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

**To the Board of Directors of
North Garland County Regional Water District
Page 2**

Purpose of this Report

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

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

Berry & Associates, P.A.
Little Rock, Arkansas
November 21, 2023

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT
September 30, 2023**

WATER RATE SCHEDULES:

<u>Water Rates</u>	<u>In Effect Through September 30, 2023</u>	<u>Effective October 1, 2023</u>
	<u>Per Thousand Gallons</u>	<u>Per Thousand Gallons</u>
Residential and Commercial:		
First 1,000 gallons	\$ 25.86	\$ 26.50
All over 1,000 gallons	\$ 6.98	\$ 7.18

<u>Meter Size (Inch)</u>	<u>Minimum Rate</u>	<u>Minimum Rate</u>
5/8	\$ 25.86	\$ 26.50
1	\$ 36.03	\$ 36.92
1 1/2	\$ 45.94	\$ 47.08
2	\$ 74.12	\$ 75.96
3	\$ 279.89	\$ 286.88
4	\$ 356.05	\$ 364.94
6	\$ 533.86	\$ 547.20

At September 30, 2023 water service was provided to approximately 3,286 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>
Jerry Vaughn	President
Joe Turner	Vice President
David Harper	Secretary/Treasurer
Velton Lacy	Director
Jack Fields	Director
Todd Graves	Director
Roy E Livinston	Director

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
USDA RURAL DEVELOPMENT (Continued)
September 30, 2023**

INSURANCE SCHEDULE:

	Amount of Coverage	Policy Period
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	13,596,905	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, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OPERATING REVENUES				
Water revenue	\$ 2,264,864	\$ 2,264,864	\$ 2,305,812	\$ 40,948
Connection fees	68,000	68,000	97,450	29,450
Late charges and penalties	47,650	47,650	57,823	10,173
Facilities upgrade fees	99,000	99,000	102,838	3,838
Other revenue	141,000	141,000	121,751	(19,249)
Total operating revenues	<u>2,620,514</u>	<u>2,620,514</u>	<u>2,685,674</u>	<u>65,160</u>
OPERATING EXPENSES				
Salaries	467,296	467,296	494,698	(27,402)
Professional fees	19,100	19,100	27,282	(8,182)
Bad debts	-	-	9,930	(9,930)
Depreciation	-	-	678,492	(678,492)
Amortization	-	-	73,504	(73,504)
Auto expenses	45,700	45,700	32,064	13,636
Repairs and maintenance	161,150	161,150	429,033	(267,883)
Director's fees	12,000	12,000	9,600	2,400
Insurance	148,063	148,063	128,402	19,661
Retirement expense	69,526	69,526	72,149	(2,623)
Payroll taxes	34,907	34,907	38,579	(3,672)
Materials and supplies	306,000	306,000	389,553	(83,553)
Office expense	11,000	11,000	10,451	549
Postage	16,500	16,500	19,363	(2,863)
Utilities	115,450	115,450	105,536	9,914
Telephone	22,300	22,300	21,214	1,086
Licenses, permits, and fees	22,600	22,600	9,852	12,748
Other expenses	21,850	21,850	22,531	(681)
Total operating expenses	<u>1,473,442</u>	<u>1,473,442</u>	<u>2,572,233</u>	<u>(1,098,791)</u>
OPERATING INCOME	<u>1,147,072</u>	<u>1,147,072</u>	<u>113,441</u>	<u>(1,033,631)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	800	800	15,493	14,693
Interest expense	-	-	(290,424)	(290,424)
Gain on disposal of capital assets	-	-	8,299	(8,299)
Other income	18,000	18,000	19,276	1,276
Net non-operating revenues (expenses)	<u>18,800</u>	<u>18,800</u>	<u>(247,356)</u>	<u>(282,754)</u>
CHANGE IN NET POSITION	<u>1,165,872</u>	<u>1,165,872</u>	<u>(133,915)</u>	<u>(1,316,385)</u>
NET POSITION AT BEGINNING OF YEAR	<u>7,732,989</u>	<u>7,732,989</u>	<u>7,732,989</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 8,898,861</u>	<u>\$ 8,898,861</u>	<u>\$ 7,599,074</u>	<u>\$ (1,316,385)</u>