

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT**  
**Hot Springs, Arkansas**  
**FINANCIAL STATEMENTS**  
**and**  
**SUPPLEMENTARY INFORMATION**  
**For the Years Ended September 30, 2024 and 2023**  
**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, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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.

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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.

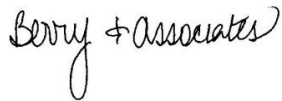
Board of Directors  
North Garland County Regional Water District

**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 20, 2024 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 20, 2024

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**September 30, 2024 and 2023**

**ASSETS**

	2024	2023
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,023,099	\$ 1,862,702
Accounts receivable, net of allowance for doubtful accounts	157,673	181,925
Other receivables		99
Prepaid expenses	2,698	7,608
Total current assets	<u>2,183,470</u>	<u>2,052,334</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	1,054,693	896,694
Deposit held by lender	24,154	24,154
Water storage, net of accumulated amortization of \$603,054 and \$529,550 in 2024 and 2023, respectively	1,571,289	1,644,793
Capital assets		
Capital assets, net of accumulated depreciation	<u>13,292,140</u>	<u>13,479,622</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 18,125,746</u></u>	<u><u>\$ 18,097,597</u></u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 580,200	\$ 563,400
Accounts payable	35,023	50,479
Payroll taxes payable	992	1,093
Sales tax payable	15,780	17,960
Other current liabilities	25,000	25,000
Accrued wages payable	31,743	25,594
Accrued interest payable	109,682	116,578
Total current liabilities	<u>798,420</u>	<u>800,104</u>
<b>LONG-TERM DEBT, net of current maturities</b>	<u>8,830,965</u>	<u>9,412,968</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer water meter deposits	<u>295,738</u>	<u>285,451</u>
<b>TOTAL LIABILITIES</b>	<u>9,925,123</u>	<u>10,498,523</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,452,264	5,148,047
Unrestricted	2,731,919	2,434,587
Temporarily restricted	16,440	16,440
Total net position	<u>8,200,623</u>	<u>7,599,074</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 18,125,746</u></u>	<u><u>\$ 18,097,597</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Water revenue	\$ 2,409,612	\$ 2,305,812
Connection fees	113,638	97,450
Late charges and penalties	63,787	57,823
Facilities upgrade fees	104,581	102,838
Other revenue	<u>124,062</u>	<u>121,751</u>
Total operating revenues	<u>2,815,680</u>	<u>2,685,674</u>
<b>OPERATING EXPENSES</b>		
Salaries	498,447	494,698
Professional fees	23,387	27,282
Bad debts	8,460	9,930
Depreciation	697,169	678,492
Amortization	73,504	73,504
Auto expenses	30,335	32,064
Repairs and maintenance	144,980	429,033
Director's fees	6,800	9,600
Insurance	131,119	128,402
Retirement expense	71,635	72,149
Payroll taxes	37,809	38,579
Materials and supplies	252,757	389,553
Office expense	11,794	10,451
Postage	23,090	19,363
Utilities	100,017	105,536
Telephone	19,389	21,214
Licenses, permits, and fees	6,924	9,852
Other expenses	<u>22,129</u>	<u>22,531</u>
Total operating expenses	<u>2,159,745</u>	<u>2,572,233</u>
<b>OPERATING INCOME</b>	655,935	113,441
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	25,876	15,493
Interest expense	(270,542)	(290,424)
Gain on sale of capital assets	-	8,299
Other income	<u>190,280</u>	<u>19,276</u>
Net non-operating expenses	<u>(54,386)</u>	<u>(247,356)</u>
<b>CHANGE IN NET POSITION</b>	601,549	(133,915)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>7,599,074</u>	<u>7,732,989</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 8,200,623</u></u>	<u><u>\$ 7,599,074</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 2,839,932	\$ 2,661,803
Cash payments for services	(886,918)	(1,294,068)
Cash payments to employees	(498,447)	(494,698)
Net cash provided by operating activities	<u>1,454,567</u>	<u>873,037</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(565,203)	(536,731)
Interest payments on long-term debt	(277,437)	(295,631)
Purchase of capital assets	(509,687)	(159,468)
Proceeds from sale of capital asset	-	8,299
Other income received	190,280	19,276
Net cash used by capital and related financing activities	<u>(1,162,047)</u>	<u>(964,255)</u>
<b>Cash flows from investing activities:</b>		
Change in restricted cash and cash equivalents	(157,999)	(40,172)
Interest received	25,876	15,493
Net cash used by investing activities	<u>(132,123)</u>	<u>(24,679)</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	160,397	(115,897)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,862,702</u>	<u>1,978,599</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,023,099</u>	<u>\$ 1,862,702</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 655,935	\$ 113,441
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	770,673	751,996
(Increase) / Decrease In:		
Accounts receivable	24,252	(16,933)
Other receivables	99	1,208
Other current assets	4,910	(89)
Increase / (Decrease) In:		
Accounts payable	(15,457)	25,266
Customer meter deposits	10,287	11,076
Accrued wages	6,149	(6,359)
Other accrued liabilities	(2,281)	1,730
Total adjustments	<u>798,632</u>	<u>759,596</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,454,567</u>	<u>\$ 873,037</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, 2024 and 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Date of Management's Review**

Subsequent events have been evaluated through November 20, 2024, which is the date the financial statements were available to be issued. The District raised rates effective October 1, 2024. 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, 2024 and 2023**

**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, 2024 management had determined that minimal additional accounts needed to be written off. Bad debt expense for the year ended September 30, 2024 and 2023 was \$8,460 and \$9,930, 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, 2024 and 2023**

**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, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Loan payable to USDA, due in monthly installments of \$1,366, including interest at 4.25% (1)	\$ 209,127	\$ 218,262
Revenue bond payable to Bank OZK, due in varying monthly installments, including interest at a variable rate starting November 1, 2019 (2)	7,580,000	8,080,000
Loan payable to Mid-Arkansas Water Alliance, due in annual installments of \$96,618, including interest at 2.49% beginning May 2017 (2)	1,619,837	1,674,590
Financing lease payable to Datamax, due in monthly installments of \$120, including implicit interest at 3.25 %. (2)	<u>2,201</u>	<u>3,516</u>
	9,411,165	9,976,368
Less Current Portion	(580,200)	(563,400)
Long Term Portion	<u>\$ 8,830,965</u>	<u>\$ 9,412,968</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, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 580,200	\$ 260,350	\$ 840,550
2026	597,815	241,700	839,515
2027	542,300	226,060	768,360
2028	509,200	211,810	721,010
2029	511,100	199,460	710,560
2030-2034	2,610,300	791,018	3,401,318
2035-2039	2,866,600	399,236	3,265,836
2040-2044	1,009,300	71,065	1,080,365
2045-2046	184,350	8,885	193,235
	<u>\$ 9,411,165</u>	<u>\$ 2,409,584</u>	<u>\$ 11,820,749</u>

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024 and 2023**

**NOTE 2 - LONG-TERM DEBT, Continued:**

Long-term liability activity for the years ended September 30, 2024 and 2023 is as follows:

	Balance 9/30/23	Additions	Retirements	Balance 9/30/24	Due Within One Year
Long Term Debt					
Loans	\$ 1,896,368	\$ -	\$ (65,203)	\$ 1,831,165	\$ 65,200
Water Revenue Bonds	8,080,000	-	(500,000)	7,580,000	515,000
	<u>\$ 9,976,368</u>	<u>\$ -</u>	<u>\$ (565,203)</u>	<u>\$ 9,411,165</u>	<u>\$ 580,200</u>

	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>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$9,411,165 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, 2024 were \$565,203 and \$277,437, respectively. Principal and interest paid in the year ended September 30, 2023 were \$536,731 and \$295,631, 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- 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:

	2024	2023
Meter deposits	\$ 309,507	\$ 299,194
Debt service reserves	144,225	21,329
Accounts held in trust	600,961	576,171
	<u>\$ 1,054,693</u>	<u>\$ 896,694</u>

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024 and 2023**

**NOTE 5 – CAPITAL ASSETS:**

A summary of changes in property, plant and equipment for the years ended September 30, 2024 and 2023 are as follows:

	Balance 9/30/2023	Additions	Deletions/ Transfers	Balance 9/30/2024
Automobiles	\$ 247,679	\$ 74,828	\$ (52,250)	\$ 270,257
Buildings	1,117,691	1,403	-	1,119,094
Computer Equipment	17,909	-	-	17,909
Equipment	212,258	-	-	212,258
Furniture	8,417	-	-	8,417
Land	133,462	-	-	133,462
Leasehold Improvements	56,400	-	-	56,400
Office Equipment	47,180	-	-	47,180
Plant and Distribution	23,216,032	436,393	-	23,652,425
Total	25,057,028	\$ 512,624	\$ (52,250)	25,517,402
Less: Accumulated Depreciation	(11,577,406)			(12,225,262)
Total Capital Assets	\$ 13,479,622			\$ 13,292,140

	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

**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% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.75% as of July 1, 2024. 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, 2024 and 2023**

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

The District's contributions to APERS for the years ending September 30, 2024 and 2023 were \$71,635 and \$72,149, respectively, equal to the required contributions for the year.

Requirements. GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which establishes standards for public pension plan obligations for participating employers. 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.

## **SUPPLEMENTARY INFORMATION**



*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, 2024, 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 20, 2024.

**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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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 20, 2024

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT  
SUPPLEMENTARY INFORMATION REQUIRED BY THE  
USDA RURAL DEVELOPMENT  
September 30, 2024**

**WATER RATE SCHEDULES:**

<u>Water Rates</u>	<u>In Effect Through September 30, 2024</u>	<u>Effective October 1, 2024</u>
	<u>Per Thousand Gallons</u>	<u>Per Thousand Gallons</u>
Residential and Commercial:		
First 1,000 gallons	\$ 26.50	\$ 27.21
All over 1,000 gallons	\$ 7.18	\$ 7.41
<u>Meter Size (Inch)</u>	<u>Minimum Rate</u>	<u>Minimum Rate</u>
5/8	\$ 26.50	\$ 27.21
1	\$ 36.93	\$ 37.90
1 1/2	\$ 47.08	\$ 48.31
2	\$ 75.97	\$ 77.61
3	\$ 286.88	\$ 294.11
4	\$ 364.95	\$ 374.12
6	\$ 547.20	\$ 560.93

At September 30, 2024 water service was provided to approximately 3,349 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, 2024**

**INSURANCE SCHEDULE:**

	Amount of Coverage	Policy Period
Liberty Mutual		
Fidelity Bond	\$ 311,000	May 2, 2024 to May 2, 2025
Employers Mutual Casualty Company		
Commercial Vehicle		
Liability	1,000,000	October 15, 2023
Auto Medical Payments	5,000	to October 15, 2024
Uninsured Motorists	1,000,000	
Underinsured Motorists	1,000,000	
Workers Compensation	Statutory	October 15, 2023 to October 15, 2024
Commercial Property	15,601,227	October 15, 2023 to October 15, 2024
General Liability	2,000,000	October 15, 2023 to October 15, 2024
Commercial Inland Marine	106,721	October 15, 2023 to October 15, 2024
Commercial Umbrella	1,000,000	October 15, 2023 to October 15, 2024
Linebacker	1,000,000	October 15, 2023 to October 15, 2024

**NORTH GARLAND COUNTY REGIONAL WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>OPERATING REVENUES</b>				
Water revenue	\$ 2,366,138	\$ 2,366,138	\$ 2,409,612	\$ 43,474
Connection fees	73,000	73,000	113,638	40,638
Late charges and penalties	54,000	54,000	63,787	9,787
Facilities upgrade fees	102,000	102,000	104,581	2,581
Other revenue	137,000	137,000	124,062	(12,938)
Total operating revenues	2,732,138	2,732,138	2,815,680	83,542
<b>OPERATING EXPENSES</b>				
Salaries	499,316	499,316	498,447	869
Professional fees	27,475	27,475	23,387	4,088
Bad debts	-	-	8,460	(8,460)
Depreciation	-	-	697,169	(697,169)
Amortization	-	-	73,504	(73,504)
Auto expenses	46,300	46,300	30,335	15,965
Repairs and maintenance	158,650	158,650	144,980	13,670
Director's fees	12,000	12,000	6,800	5,200
Insurance	135,500	135,500	131,119	4,381
Retirement expense	74,446	74,446	71,635	2,811
Payroll taxes	37,504	37,504	37,809	(305)
Materials and supplies	385,000	385,000	252,757	132,243
Office expense	13,400	13,400	11,794	1,606
Postage	18,000	18,000	23,090	(5,090)
Utilities	112,950	112,950	100,017	12,933
Telephone	22,300	22,300	19,389	2,911
Licenses, permits, and fees	26,000	26,000	6,924	19,076
Other expenses	24,450	24,450	22,129	2,321
Total operating expenses	1,593,291	1,593,291	2,159,745	(566,454)
<b>OPERATING INCOME</b>	1,138,847	1,138,847	655,935	(482,912)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	7,000	7,000	25,876	18,876
Interest expense	-	-	(270,542)	(270,542)
Other income	19,000	19,000	190,280	171,280
Net non-operating revenues (expenses)	26,000	26,000	(54,386)	(80,386)
<b>CHANGE IN NET POSITION</b>	1,164,847	1,164,847	601,549	(563,298)
<b>NET POSITION AT BEGINNING OF YEAR</b>	7,599,074	7,599,074	7,599,074	-
<b>NET POSITION AT END OF YEAR</b>	\$ 8,763,921	\$ 8,763,921	\$ 8,200,623	\$ (563,298)