

Conway County Regional Water Distribution District

Financial Statements and Supplemental Information

with Independent Auditor's Report

December 31, 2023 and 2022

Conway County Regional Water Distribution District

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John S. Brock | Jake Froemsdorf | Rocky Goodman | Greg Schichtl | J. Michael Tuohey

To Board of Directors
Conway County Regional Water Distribution District
Morrilton, AR

Independent Auditor's Report

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Conway County Regional Water Distribution District as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Conway County Regional Water Distribution District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Conway County Regional Water Distribution District as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. 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 Conway County Regional Water Distribution District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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; this includes 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 Conway County Regional Water Distribution 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Conway County Regional Water Distribution 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 Conway County Regional Water Distribution 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Conway County Regional Water Distribution District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and are 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 supplemental information, as listed in the table of contents, 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 March 8, 2024, on our consideration of Conway County Regional Water Distribution 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 solely 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 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 Conway County Regional Water Distribution District's internal control over financial reporting and compliance.

Garland and Greenwood CPAs and Advisors, PLLC

Conway, AR
March 8, 2024

Conway County Regional Water Distribution District
Management's Discussion and Analysis

This section of the Conway County Regional Water Distribution District's (the District) annual financial report presents an analysis of the District's financial performance during the years ended December 31, 2023 and 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR 2023

1. Purchase of three Vehicles
2. Lake Pump Upgrade
3. Back Wash Pump Upgrade and Rehabilitation
4. Continued Progress on High Service Pump 3
5. Upgrade Billing Software
6. Beginning Expenditures for new 24 inch Raw Water Line
7. Base Customer Charge Increase of \$5.00

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Supplemental Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles that are generally accepted in the United States of America (US GAAP). The Statements of Net Position include information on the District's assets, deferred outflows, deferred inflows and liabilities and provide information about the nature and amounts of investments in resources (assets); consumption of net assets by the district that is applicable to a future period (deferred outflows); acquisition of net assets by the district that is applicable to a future reporting period (deferred inflows); and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the years ended December 31, 2023 and 2022. This statement provides information on the District's operations over the past two years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for each of the last two years.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the applicable fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows.

See Independent Auditor's Report.

Conway County Regional Water Distribution District
Management's Discussion and Analysis

NET POSITION

A summary of the District's Statements of Net Position is presented below.

Table 1
Condensed Statements of Net Position

	2023	2022	Increase (Decrease)		2021	Increase (Decrease)	
Current and Other Assets	\$ 6,262,809	\$ 6,160,591	\$ 102,218	1.66%	\$ 6,336,028	\$ (175,437)	-2.77%
Capital Assets (Net)	17,801,205	17,383,739	417,466	2.40%	17,096,340	287,399	1.68%
Total Assets	24,064,014	23,544,330	519,684	2.21%	23,432,368	111,962	0.48%
Long-term Debt	1,213,084	1,305,756	(92,672)	-7.10%	1,398,214	(92,458)	-6.61%
Other Liabilities	812,485	799,075	13,410	1.68%	684,987	114,088	16.66%
Total Liabilities	2,025,569	2,104,831	(79,262)	-3.77%	2,083,201	21,630	1.04%
Net Investment in Capital Assets	16,495,449	15,985,525	509,924	3.19%	15,610,877	374,648	2.40%
Restricted	748,732	730,500	18,232	2.50%	717,729	12,771	1.78%
Unrestricted	4,794,264	4,723,474	70,790	1.50%	5,020,561	(297,087)	-5.92%
Total Net Position	\$ 22,038,445	\$ 21,439,499	\$ 598,946	2.79%	\$ 21,349,167	\$ 90,332	0.42%

As the above table indicates, total assets increased during the year ended December 31, 2023. The primary reason for the increase was the increase in net capital assets. During 2023, the District invested more than \$1,100,000 in its infrastructure.

Total assets increased during 2022. However current and other assets decreased. This decrease was more than offset by the net increase in capital assets. During 2022, the District invested more than \$1,000,000 in its infrastructure.

Total liabilities reflect a decrease at December 31, 2023. The decrease is primarily related to normal long-term debt repayment. An increase in net investment in capital assets represents the infrastructure of the District less the corresponding liabilities that are secured by that infrastructure. The increase is a result of current year capital asset additions, less disposals and annual debt repayments less current year depreciation. Finally, the decrease in unrestricted position was primarily the result of revenues exceeding expenses from operations of the District.

Total liabilities reflect a small increase at December 31, 2022. The increase is primarily related to increase in accounts payable of the District. An increase in net investment in capital assets represents the infrastructure of the District less the corresponding liabilities that are secured by that infrastructure. The increase is a result of current year capital asset additions less disposals and annual debt repayments less current year depreciation. Finally, the decrease in unrestricted position was primarily the result of expenses exceeding revenues from operations of the District.

See Independent Auditor's Report.

Conway County Regional Water Distribution District
Management's Discussion and Analysis

Table 2
Condensed Statements of Revenues, Expenses
and Changes in Net Position

	2023	2022	Increase (Decrease)		2021	Increase (Decrease)	
Operating Revenues	\$ 5,388,937	\$ 4,567,527	\$ 821,410	17.98%	\$ 4,031,046	\$ 536,481	13.31%
Nonoperating Revenues	94,812	48,500	46,312	95.49%	45,096	3,404	7.55%
Total Revenues	5,483,749	4,616,027	867,722	18.80%	4,076,142	539,885	13.24%
Operating Expenses							
Production	973,473	891,365	82,108	9.21%	925,019	(33,654)	-3.64%
Transmission and Distribution	1,100,318	1,050,399	49,919	4.75%	965,158	85,241	8.83%
Customer Account General and Administrative	480,645	445,605	35,040	7.86%	368,172	77,433	21.03%
Depreciation Expense	1,516,690	1,373,588	143,102	10.42%	1,202,412	171,176	14.24%
Total Operating Expenses	771,588	719,027	52,561	7.31%	749,344	(30,317)	-4.05%
	4,842,714	4,479,984	362,730	8.10%	4,210,105	269,879	6.41%
Nonoperating Expenses	42,089	45,711	(3,622)	-7.92%	47,217	(1,506)	-3.19%
Total Expenses	4,884,803	4,525,695	359,108	7.93%	4,257,322	268,373	6.30%
Income (Loss)	598,946	90,332	508,614	563.05%	(181,180)	271,512	-149.86%
Changes in Net Position	598,946	90,332	508,614	563.05%	(181,180)	271,512	-149.86%
Beginning Net Position	21,439,499	21,349,167	90,332	0.42%	21,530,347	(181,180)	-0.84%
Ending Net Position	\$ 22,038,445	\$ 21,439,499	\$ 598,946	2.79%	\$ 21,349,167	\$ 90,332	0.42%

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which affect the change in net position.

Table 2 indicates that the District's total revenues increased for the year ended December 31, 2023. The increase was primarily related to a rate increase in July 2022, and May 2023, to compensate for the increase in the cost of production. Total operating expenses increased as a direct result of water production material cost and employee compensation increases.

Table 2 indicates that the District's total revenues increased for the year ended December 31, 2022. The increase was primarily related to a rate increase in July 2022, to compensate for the increase in the cost of production. Total operating expenses increased as a direct result of water production material cost and employee compensation increases.

Conway County Regional Water Distribution District
Management's Discussion and Analysis

CAPITAL ASSETS

As of December 31, 2023, the District's capital assets (net) increased as a result of current year additions in excess of normal depreciation.

The capital projects completed during 2023 were the lake pump upgrade and back wash pump upgrade.

In addition, during 2023, the District purchased 3 vehicles; upgraded the billing software; continued progress on High Service Pump 3; and incurred initial expenditures for a new 24 inch raw water line.

During 2022, the District completed the following projects; Highway 9 to Center Ridge Upgrade and Raw Water 3 Rehabilitation. Also, the District purchased 2 vehicles; High Service Pump 3; Back up Pumps for North Conway County; Back Up Drive for Lake; Ground Penetrating Radar; and incurred initial installation costs for High Service Pump 3.

LONG-TERM DEBT

As of December 31, 2023, the District had a decrease of \$92,458 in outstanding debt. The decrease is a direct result of debt repayment of the 2015 Series Bonds which will mature in 2034 and Mid-Arkansas Water Alliance (MAWA) loan which matures in 2049. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each year, which are at least sufficient to yield in each year net revenues equal to 125 percent of the debt service for such year, plus any amount necessary to restore the bond reserve fund to the reserve requirement.

During 2022, the District had a decrease of \$87,249 in outstanding debt. The decrease is a direct result of debt repayment of the 2015 Series Bonds which will mature in 2034 and Mid-Arkansas Water Alliance (MAWA) loan which matures in 2049.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's rates are reviewed by management and the Board of Directors on an annual basis.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Conway County Regional Water Distribution District at P.O. Box 296, Morrilton, AR 72110.

Conway County Regional Water Distribution District
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,543,534	\$ 4,514,924
Accounts receivable	596,637	544,133
Inventory	123,753	124,311
Prepaid expense	47,100	42,011
Accrued utility revenue	190,076	194,967
Accrued interest receivable	6,100	1,884
Total unrestricted current assets	5,507,200	5,422,230
Restricted assets		
Cash	734,487	734,353
Escrow deposit	21,122	4,008
Total restricted assets	755,609	738,361
Total Current Assets	6,262,809	6,160,591
Capital Assets		
Non depreciable capital assets		
Land and water rights	792,014	792,014
Work in progress	450,200	70,532
Total non depreciable capital assets	1,242,214	862,546
Depreciable capital assets		
Supply, treatment, and distribution facilities	33,281,429	32,622,953
Equipment	1,811,574	1,660,664
Less: accumulated depreciation	(18,534,012)	(17,762,424)
Total depreciable capital assets - net	16,558,991	16,521,193
Total Capital Assets	17,801,205	17,383,739
Total Assets	\$ 24,064,014	\$ 23,544,330

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

Conway County Regional Water Distribution District
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Liabilities and Net Position		
Current Liabilities		
Accounts payable - trade	\$ 119,317	\$ 129,174
Accounts payable - sewer department	75,257	78,109
Accounts payable - sanitation	50,102	49,988
Customer meter deposits	281,060	270,540
Other current liabilities	187,200	170,945
Total Current Liabilities	712,936	698,756
Liabilities Payable from Restricted Assets		
Interest payable	6,877	7,861
Current maturities of long-term debt	92,672	92,458
Total Liabilities Payable from Restricted Assets	99,549	100,319
Long-Term Liabilities		
Long-term debt - less current maturities	1,213,084	1,305,756
Total Long-Term Liabilities	1,213,084	1,305,756
Total Liabilities	2,025,569	2,104,831
Net Position		
Net investment in capital assets	16,495,449	15,985,525
Restricted bond reserve funds	748,732	730,500
Unrestricted	4,794,264	4,723,474
Total Net Position	22,038,445	21,439,499
Total Liabilities and Net Position	\$ 24,064,014	\$ 23,544,330

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

Conway County Regional Water Distribution District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Water sales	\$ 4,966,830	\$ 4,216,419
Customer late charge income	132,959	117,953
Miscellaneous income	289,148	233,155
Total Unrestricted Revenues	5,388,937	4,567,527
Operating Expenses		
Production	973,473	891,365
Transmission and distribution	1,100,318	1,050,399
Customer account	480,645	445,605
General and administrative	1,516,690	1,373,588
Depreciation	771,588	719,027
Total Operating Expenses	4,842,714	4,479,984
Operating Income (Loss)	546,223	87,543
Other Revenues (Expenses)		
Gain on disposal of assets	0	20,800
Interest income	94,812	27,700
Interest expense	(42,089)	(45,711)
Total Other Revenues (Expenses)	52,723	2,789
Income (loss)	598,946	90,332
Increase (Decrease) in Net Position	598,946	90,332
Net Position Beginning of Year	21,439,499	21,349,167
Net Position End of Year	\$ 22,038,445	\$ 21,439,499

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

Conway County Regional Water Distribution District
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows Provided (Used) by Operating Activities		
Cash receipts from customers	\$ 5,351,844	\$ 4,455,605
Cash payments to suppliers for goods and services	(2,441,051)	(2,162,339)
Cash payments to employees for services	(1,630,946)	(1,511,583)
Net cash provided (used) by operating activities	1,279,847	781,683
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from sale of fixed assets	0	20,800
Purchase of facilities and equipment	(1,189,054)	(1,006,426)
Repayment of long-term debt	(92,458)	(87,249)
Decrease (increase) in escrow deposit	(17,114)	0
Interest paid on debt	(43,073)	(45,283)
Net cash provided (used) by capital and related financing activities	(1,341,699)	(1,118,158)
Cash Flows Provided (Used) by Investing Activities		
Interest received on investments	90,596	26,975
Net cash provided (used) by investing activities	90,596	26,975
Increase (decrease) in cash and cash equivalents	28,744	(309,500)
Cash and cash equivalents - beginning of year	5,249,277	5,558,777
Cash and Cash Equivalents - End of Year	\$ 5,278,021	\$ 5,249,277
Cash and cash equivalents	\$ 4,543,534	\$ 4,514,924
Restricted cash and cash equivalents included in restricted cash	734,487	734,353
Cash and Cash Equivalents - End of Year	\$ 5,278,021	\$ 5,249,277

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

Conway County Regional Water Distribution District
 Statements of Cash Flows
 For the Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 546,223	\$ 87,543
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	771,588	719,027
Changes in assets and liabilities		
Change in accounts receivable	(52,504)	(81,669)
Change in inventory	558	(6,821)
Change in prepaid expenses	(5,089)	(3,070)
Change in accrued utility revenue	4,891	(41,778)
Change in accounts payable	(12,595)	79,866
Change in meter deposits	10,520	11,525
Change in other current liabilities	16,255	17,060
Net cash provided (used) by operating activities	1,279,847	781,683
Supplemental Disclosures of Cash Flow Information		
Noncash investing and financing activities:		
None	\$ 0	\$ 0

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

Note 1 – Description of Entity

Reporting Entity. Conway County Regional Water Distribution District is organized as a public nonprofit organization.

Description of Operations. The principal functions of the District include the operation and maintenance of a water system.

Note 2 – Summary of Significant Accounting Policies

Measurement Focus, Basis of Presentation and Accounting. The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, (FASB) the accounting principles board, or any accounting research bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

New Accounting Pronouncements. In June 2017, GASB issued Statement No. 87 which enhances the relevance and consistency of information of a government's leasing activity. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Leases with a term of 12 months or less will be expensed as incurred. The GASB was effective for the year ended December 31, 2022, and had no impact on the financial statements.

Cash and Cash Equivalents. The District's cash and cash equivalents are considered to be all cash on hand, demand deposits, certificates of deposit and all short-term investments with original maturities of three months or less from the date of acquisition. The District treats all restricted cash and investments meeting these criteria as restricted cash and cash equivalents. At December 31, 2023 and 2022, the District had \$2,835,000 in certificates of deposit that were included in cash and restricted cash.

Accounts Receivable. Accounts receivable consists of credit extended to the District's customers in the normal course of business. The District considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collection on accounts previously written off are included in income when received. Bad debt expense was \$6,131 and \$6,873 for the years ended December 31, 2023 and 2022, respectively.

Inventory. Material and supply inventories are stated at the lower of average cost or market.

Capital Assets. Assets contributed are recorded at fair value at the date contributed. Purchased assets are stated at cost; repairs and maintenance of the system are recorded as expenses; and renewals and betterments are capitalized. Depreciation has been provided using the straight-line method. Estimated useful lives of the assets are as follows:

Supply, Treatment, and Distribution Facilities	20 – 75 Years
Equipment	4 – 25 Years

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the District's financial statements. Net positions are classified in the following categories:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints imposed by creditors (such as 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 position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

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

Capital Contributions. Capital contributions consist of grants received for the purpose of bettering and improving the water system. There were no capital contributions for the years ended December 31, 2023 and 2022.

Income Taxes. The District has been determined to be a nonprofit political subdivision of the state of Arkansas as defined in the Internal Revenue Code section 1.103-l(b) and similar state statutes. The District, as a political subdivision, is exempt from federal and state income taxes.

Compensated Absences. Employees of the District are entitled to paid vacations and other time off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when paid to employees

Unrestricted Net Position. The District was organized under act 114 of the acts of the General Assembly of the State of Arkansas of the year 1957, as amended. Section 21-1412 of this act states that (a) water districts formed pursuant to this act shall be operated without profit, but the rates charged shall be sufficient at all times to (1) pay all operating and maintenance expenses and to pay the principal and interest on the obligations issued or assumed by the water district in the performance of the purpose for which it was organized and (2) for creation of adequate reserves; (b) the revenue of the water district shall be devoted first to the payment of operating and maintenance expenses and the principal and interest on outstanding obligations and thereafter, to such reserves for improvements, construction, depreciation and contingencies as the Board of Directors (the Board) of the District may from time to time prescribe; (c) revenues not required for the purpose set forth in (b) above shall be returned from time to time to the customers of the water district on a pro-rated basis, according to the amount of business done with each customer during the period for which return is made, either in cash, in abatement of current charges for water, or otherwise as the Board determines.

Note 2 – Summary of Significant Accounting Policies (continued)

Use of Estimates. The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review. Management has evaluated subsequent events through March 8, 2024, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements as of December 31, 2023 and 2022.

Reclassifications. Certain 2022 amounts have been reclassified to conform to the 2023 presentation.

Note 3 – Restricted Assets

Under the terms of bond ordinances, certain restricted funds must be maintained at December 31 as follows:

	2023	2022
Water Revenue Refunding Bonds dated April 29, 2015:		
Debt Service	\$ 204,158	\$ 213,586
Depreciation Fund	500,000	500,000
Bond Fund	30,329	20,767
Total Restricted Cash	<u>\$ 734,487</u>	<u>\$ 734,353</u>

Under the terms of a water storage agreement, deposits are funded for the future repayment of the indebtedness associated therewith. The balance of the deposits at December 31 are as follows:

	2023	2022
Water storage agreement dated May 20, 2020:		
Escrow deposit	<u>\$ 21,122</u>	<u>\$ 4,008</u>

The 2015 revenue refunding bond fund was created by the Board for the purpose of paying debt service on all bonds that may be used under the indenture. Monthly deposits equaling one-sixth of the next interest payment and one-twelfth of the next principal payment, whether by maturity or mandatory redemption, coming due plus fiscal agent's fees must be made to the bond fund. Likewise, the District is required to maintain a debt service fund for the purpose of providing a reserve for payment of principal and interest on the bonds. In addition, the debt service reserve fund shall be maintained in the amount of the required level. The required level is calculated any date as the lesser of (1) maximum annual debt service, (2) 125% of average annual debt service or (3) 10% of the aggregate issue price on all bonds and parity indebtedness outstanding. An independent financial institution serves as trustee of these funds.

Furthermore, 2015 revenue refunding bond fund also required the creation of a depreciation fund which requires the District to pay from gross revenue fund a monthly payment of \$2,000. Payments into the depreciation fund shall be used solely for the purpose of paying the cost of repairs and replacements made necessary by the depreciation of the properties of the District. At December 31, 2023 and 2022, the District had allocated \$500,000 in certificates of deposit to adequately fund its required reserves.

Restricted cash consist of cash and certificates of deposit all of which are substantially insured or collateralized. At December 31, 2023 and 2022, the District had \$500,000 in certificates of deposit that were included in restricted cash.

Conway County Regional Water Distribution District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 4 – Capital Assets

Capital asset activity was as follows:

	Balance 12/31/2021	Transfer in and Additions	Transfer out and Disposals	Balance 12/31/2022
Non depreciable capital assets				
Land and water rights	\$ 792,014	\$ 0	\$ 0	\$ 792,014
Work in progress	421,789	461,880	(813,137)	70,532
Total capital assets not being depreciated	1,213,803	461,880	(813,137)	862,546
Capital assets being depreciated				
Supply, treatment, and distribution facilities	31,375,261	1,247,692	0	32,622,953
Equipment	1,616,592	109,990	(65,918)	1,660,664
Total depreciable capital assets	32,991,853	1,357,682	(65,918)	34,283,617
Less accumulated depreciation				
Supply, treatment, and distribution facilities	(15,324,838)	(609,367)	0	(15,934,205)
Equipment	(1,784,478)	(109,659)	65,918	(1,828,219)
Total accumulated depreciation	(17,109,316)	(719,026)	65,918	(17,762,424)
Total capital assets being depreciated, net	15,882,537	638,656	0	16,521,193
Total Capital Assets - net	\$ 17,096,340	\$ 1,100,536	\$ (813,137)	\$ 17,383,739
	Balance 12/31/2022	Transfer in and Additions	Transfer out and Disposals	Balance 12/31/2023
Non depreciable capital assets				
Land and water rights	\$ 792,014	\$ 0	\$ 0	\$ 792,014
Work in progress	70,532	450,200	(70,532)	450,200
Total capital assets not being depreciated	862,546	450,200	(70,532)	1,242,214
Capital Assets being depreciated				
Supply, treatment, and distribution facilities	32,622,953	658,476	0	33,281,429
Equipment	1,660,664	150,910	0	1,811,574
Total depreciable capital assets	34,283,617	809,386	0	35,093,003
Less accumulated depreciation				
Supply, treatment, and distribution facilities	(15,934,205)	(656,553)	0	(16,590,758)
Equipment	(1,828,219)	(115,035)	0	(1,943,254)
Total accumulated depreciation	(17,762,424)	(771,588)	0	(18,534,012)
Total capital assets being depreciated - net	16,521,193	37,798	0	16,558,991
Total Capital Assets, net	\$ 17,383,739	\$ 487,998	\$ (70,532)	\$ 17,801,205

Conway County Regional Water Distribution District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 5 – Long-Term Debt

	2023	2022
Issue of 4-29-2015, 2.50% to 3.50%, term bonds maturing December 1, 2022 through 2034	\$ 1,015,000	\$ 1,100,000
2.85% note, due \$16,031 annually including interest through 2049, secured by certain real property	290,756	298,214
	1,305,756	1,398,214
Less current maturities	92,672	92,458
Long-term debt, less current maturities	\$ 1,213,084	\$ 1,305,756
Total long-term debt beginning of year	\$ 1,398,214	\$ 1,485,463
Repayment of long-term debt	(92,458)	(87,249)
Total long-term debt end of year	\$ 1,305,756	\$ 1,398,214

Aggregate maturities of long-term debt are as follows:

<u>For the years ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 92,672	\$ 40,734	\$ 133,406
2025	97,893	38,389	136,282
2026	98,120	35,912	134,032
2027	103,353	32,978	136,331
2028	103,593	29,888	133,481
2029 - 2033	561,817	95,815	657,632
2034 - 2038	98,945	27,787	126,732
2039 - 2043	62,159	17,998	80,157
2044 - 2047	71,623	8,534	80,157
2048 - 2052	15,581	449	16,030
	<u>\$ 1,305,756</u>	<u>\$ 328,484</u>	<u>\$ 1,634,240</u>

Bonds and notes payable are secured by utility plant facilities, inventories, assets and revenues.

Note 5 – Long-Term Debt (continued)

The covenants of the bond issue provides, among other things, that the District will (a) promptly pay the principal of and interest on every bond issued under the indenture; (b) perform at all times any and all covenants, undertakings, stipulations and provisions contained in the indenture; (c) lawfully owns and is lawfully possessed of the mortgaged properties and that it has good and indefeasible title subject to permitted encumbrances; (d) promptly pay all lawful taxes, charges, assessments, imposts and governmental charges assessed against the mortgaged property; (e) maintain mortgage property in good condition and in working order; (f) keep proper books of record and account, in which full, true and correct entries will be made of all dealings or transactions of and in relation to the mortgaged properties and revenue and income for the District. The District agrees to have the books of record and account audited by an independent certified public accountant at the end of each fiscal year; (g) comply with all environmental laws; (h) not sell or otherwise dispose of any mortgaged properties and will not encumber the same or any part hereof; (i) insure and keep insured to the full insurable value hereof in a responsible insurance company authorized and qualified under the laws of the state of Arkansas; (j) charge and collect rates, fees and charges for water and services furnished which shall produce net revenues in each fiscal year sufficient to equal to 120% of the maximum annual debt service requirements and parity obligations; and (k) charge and collect water rates for water services and adjust such rates that will produce gross revenues annually of at least 115% of the amount required to (i) pay operating expenses of the system, (ii) pay principal and interest on the bonds and parity indebtedness, (iii) pay any trustee and paying agent fees, and (iv) make required deposits into the debt service reserve fund. The District was in compliance with all of these covenants at December 31, 2023 and 2022.

Note 6 – Concentrations of Credit Risk

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The District maintains cash balances at financial institutions located in central Arkansas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. In addition, the District requires the financial institutions to pledge collateral for cash balances that exceed the insured amount. At December 31, 2023 and 2022, collateralized cash balances were \$4,878,043 and \$4,734,635, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers with small account balances and required customer meter deposits.

Note 7 – Retirement Plan

The District has a defined contribution money purchase trustee pension plan. Employees are eligible for participation following six months of service. The plan is administered by the District. Benefit terms, including terms related to vesting, forfeitures, and the use of forfeited amounts, are established and may be amended by the District. The District also has the authority to establish and amend requirements to pay pensions as the benefits come due.

Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended December 31, 2023 and 2022, employee contributions totaled \$15,930 and \$19,295, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in District contributions and earnings under an incremental vesting schedule. Employees vest as follows: two years 20%, three years 40%, four years 60%, five years 80% and six years fully vested. The District contributes 10% of each participant's annual compensation to the plan. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the District's pension expenses.

Pension expense was \$161,404 and \$134,972 for years ended December 31, 2023 and 2022, respectively. The foregoing amounts reflected forfeitures totaling \$0 and \$4,550 for the years ended December 31, 2023 and 2022, respectively.

The Plan is accounted for and reported under the requirements of GASB Statement No. 73 because no assets are accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, and the Plan administrator.

The Plan does not meet the required criteria because the District's contributions are not irrevocable.

Supplemental Information



John S. Brock | Jake Froemsdorf | Rocky Goodman | Greg Schichtl | J. Michael Tuohey

To Board of Directors
Conway County Regional Water Distribution District
Morrilton, AR

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Conway County Regional Water Distribution District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Conway County Regional Water Distribution District's basic financial statements, and have issued our report thereon dated March 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Conway County Regional Water Distribution 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 Conway County Regional Water Distribution District's internal control. Accordingly, we do not express an opinion on the effectiveness of Conway County Regional Water Distribution 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Conway County Regional Water Distribution District
Morrilton, AR

Report on Compliance and Other matters

As part of obtaining reasonable assurance about whether Conway County Regional Water Distribution District's financial statements are free from 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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 Conway County Regional Water Distribution District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Garland and Greenwood CPAs and Advisors, PLLC

Conway, AR
March 8, 2024

Conway County Regional Water Distribution District
Supplemental Information
December 31, 2023 and 2022

	Inside City Limits	Outside City Limits	Highway 95 North	Ada Valley St Elizabeth Petit Jean Wolverton Ragsdale
Schedule of Rates Charged				
Customer charge	\$ 13.50	\$ 15.00	\$ 20.00	\$ 21.50
First 100,000 gallons	3.00	3.00	3.00	3.00
Over 200,000 gallons	2.50	2.50	2.50	2.50

(all rates amounts are cost per 1,000 gallons)

Wholesale water rates range from \$2.00 to \$2.75 per 1,000 gallons

Monthly Minimums

3/4 inch meter \$13.50 to \$21.50 depending on location

1 inch meter \$26.00

2 inch meter \$46.00

3 inch meter \$108.50

4 inch meter \$180.50

Gross Revenue Received

	2023	2022
Gross revenues	\$ 5,483,749	\$ 4,595,227
Number of connections	8,882	8,779

Names and Titles of Directors

Charles Hamling - Chairman

Miles Lacy - Vice-Chairman

Don DePriest - Secretary / Treasurer

Mike Davidson - Commissioner

Dr. Thomas Flowers - Commissioner

See independent auditor's report.

Insurance Coverage

1. Commercial package
 - a. Blanket total building and business personal property \$10,241,600
 - b. General liability: \$3,000,000 general aggregate, \$1,000,000 personal and advertising injury, \$100,000 damage to premises rented by the District, \$10,000 medical expense
 - c. Auto Liability
 - \$1,000,000 liability
 - \$1,000,000 uninsured motorists
 - \$1,000,000 underinsured motorists
 - \$5,000 medical payments
 - d. Employee theft \$275,000
 - e. Forgery or alteration \$175,000
 - f. Inside the premise - theft of money and securities \$175,000
 - g. Outside the premises \$195,000
 - h. Computer and funds transfer fraud \$200,000
 - i. Directors, officers, trustees, and organization liability coverage \$1,000,000
 - j. Commercial umbrella
 - \$3,000,000 each occurrence
 - \$3,000,000 personal advertising and injury
 - \$3,000,000 aggregate limit

Insurer	The Cincinnati Casualty Company
Expiration date	March 1, 2024

2. Workmen's compensation - statutory
 - Bodily injury by accident - \$500,000 each accident
 - Bodily injury by disease - \$500,000 each employee
 - Bodily injury by disease - \$500,000 policy limit

Insurer	Retailers Casualty Insurance Company
Expiration date	March 1, 2024

See independent auditor's report.

Conway County Regional Water Distribution District
Summary of Audit Results and Schedule of Findings and Responses
December 31, 2023 and 2022

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Conway County Regional Water Distribution District.
2. No significant deficiencies disclosed during the audit of the financial statements were reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards*. No conditions were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

Schedule of Findings and Responses

None