

**CARROLL-BOONE WATER DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**



**CARROLL-BOONE WATER DISTRICT**  
**SEPTEMBER 30, 2023 AND 2022**

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## **Independent Auditor's Report**

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To the Board of Commissioners  
Carroll-Boone Water District  
Eureka Springs, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Carroll-Boone Water District, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carroll-Boone Water District, as of September 30, 2023 and 2022 and the changes in its financial position and, 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 audit 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 the Carroll-Boone Water District, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Carroll-Boone 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.

### ***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 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 the Carroll-Boone 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carroll-Boone 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the 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 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023 on our consideration of the 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 the effectiveness of the 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 District's internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 8, 2023**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**CARROLL-BOONE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

This section of the Carroll-Boone Water District ("the District") annual financial report presents the analysis of the District's financial performance during the calendar year ended September 30, 2023. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District ended the year September 30, 2023 with a net position balance of \$25,119,317.
- The change in net position or net income of the District was an increase of \$1,417,848.
- The statement of cash flows identifies sources and uses of cash activity for the calendar year. For the fiscal year 2023, cash, cash equivalents and restricted cash increased by \$1,359,638. Cash provided from the day to day operations totaled \$3,562,090. Cash used by capital and related financing activities totaled \$2,325,070. Of this amount, \$1,042,224 was for the acquisition of capital assets and the remaining \$1,282,846 was paid for debt service. Cash provided by investing activities totaled \$122,618.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of the following parts: Management's Discussion and Analysis and the financial statements. 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 which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identifies the District's revenues and expenses for the fiscal year ended September 30, 2023. This statement provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees. 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. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current fiscal year.

**CARROLL-BOONE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CONDENSED FINANCIAL INFORMATION**

Condensed financial information from the statement of net assets as of September 30, 2023 and 2022 and the statement of revenues, expenses and changes in net assets for the years then ended are as follows:

	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
Assets		
Current assets	\$ 11,729,103	10,289,754
Capital assets, net	<u>33,207,111</u>	<u>34,016,608</u>
Total assets	<u>44,936,214</u>	<u>44,306,362</u>
Deferred outflows of resources	<u>147,324</u>	<u>160,518</u>
Total assets and deferred outflows of resources	<u>\$ 45,083,539</u>	<u>44,466,880</u>
Liabilities and Net Position		
Current liabilities	\$ 1,383,729	1,294,937
Noncurrent liabilities	<u>18,580,493</u>	<u>19,470,474</u>
Total liabilities	<u>19,964,222</u>	<u>20,765,411</u>
Net position:		
Invested in capital assets	14,118,856	14,235,274
Restricted	6,071,462	5,189,007
Unrestricted	<u>4,928,999</u>	<u>4,277,188</u>
Total net position	<u>25,119,317</u>	<u>23,701,469</u>
Total liabilities and net position	<u>\$ 45,083,539</u>	<u>44,466,880</u>
Operating revenues	<u>\$ 6,128,837</u>	<u>5,497,090</u>
Operating expenses, excluding depreciation	2,830,493	2,579,608
Depreciation	<u>1,751,722</u>	<u>1,734,966</u>
Total operating expenses, including depreciation	<u>4,682,215</u>	<u>4,314,574</u>
Operating income	1,446,622	1,182,516
Nonoperating revenues (expenses)	<u>(28,774)</u>	<u>(376,923)</u>
Change in net position	<u>1,417,848</u>	<u>805,593</u>
Beginning of year net position	23,701,469	22,895,876
Net position at end of year	<u>\$ 25,119,317</u>	<u>23,701,469</u>



**CARROLL-BOONE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CAPITAL ASSETS**

The District's capital assets as of September 30, 2023 and 2022 totaled \$67,952,725 and \$66,910,501, respectively. This investment in capital assets includes land, land easements, water rights, intake structures, water treatment plants, transmission lines, storage tanks, vehicles, furniture and equipment, and construction in progress.

The District has several projects under construction as of September 30, 2023, most of which are part of the District's Master Plan – Phase I. Total costs incurred on these projects were \$526,600. Total estimated costs on one of the projects is \$897,202, with the remainder being in early stages, and total estimated costs are not known. These projects are being funded by 2020 bond proceeds. Other significant fixed asset additions during the year were vehicles/tractor totaling \$154,537 and refurbish of major equipment of \$108,150. There was \$3,757,021 of the East & West generator improvements that was capitalized. The City of Berryville contributed the newly constructed Shady Grove Meter Station with a value of \$266,000 to the District.

**LONG-TERM DEBT**

As of September 30, 2023, the outstanding principal balance on the Series 2020 Water Refunding and Improvement Revenue Bonds was \$15,630,000 compared to \$16,285,000 as of September 30, 2022. The District paid \$655,000 in principal plus interest of \$442,238 on the bonds during the year.

The District's long-term liability with the U.S. Army Corps of Engineers for water storage space in the Beaver Reservoir had a balance of \$3,094,985 at September 30, 2023 compared to \$3,189,304 at September 30, 2022. The District paid \$94,319 in principal, \$91,288 in interest.

**CHANGE IN NET POSITION**

For the year ended September 30, 2023, the District's change of net position was an increase of \$1,417,848. Operating revenues of \$6,128,837 increased by \$631,747 (11%) from prior year mainly due to increased sales volume to member cities. Operating expenses of \$4,682,215 increased by \$367,641 (9%) from prior year, mainly due to increases in chemical costs incurred, as well as an increase in utility costs and diesel fuel. Net nonoperating expenses of \$28,774 decreased by \$348,149 mainly due to more interest income earned and a capital contribution.

**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 need additional financial information, please contact the Carroll-Boone Water District, 11510 Highway 187, Eureka Springs, Arkansas 72631.

## ***FINANCIAL STATEMENTS***

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30,	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,986,207	\$ 3,453,418
Restricted checking and savings accounts	4,221,141	3,394,292
Certificates of deposit	701,214	687,911
Restricted certificates of deposit	701,214	687,911
Restricted investments	1,295,427	1,328,098
Accounts receivable	519,495	482,170
Prepaid expenses	89,028	81,507
Inventories	215,377	174,447
<b>Total Current Assets</b>	<b>11,729,103</b>	<b>10,289,754</b>
<b>Net Capital Assets</b>	<b>33,207,111</b>	<b>34,016,608</b>
<b>Total Assets</b>	<b>44,936,214</b>	<b>44,306,362</b>
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding, net of amortization	147,325	160,518
<b>Total Deferred Outflows of Resources</b>	<b>147,325</b>	<b>160,518</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 45,083,539</b>	<b>\$ 44,466,880</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 286,889	\$ 209,048
Accrued liabilities	333	333
Accrued interest	181,433	183,839
Accrued compensated absences	54,836	49,155
Current portion of deferred revenue	103,243	103,243
Current portion of long-term debt	660,000	655,000
Current portion of other long-term liabilities	96,995	94,319
<b>Total Current Liabilities</b>	<b>1,383,729</b>	<b>1,294,937</b>
<b>Noncurrent Liabilities:</b>		
Deferred revenue	101,908	205,150
Long-term debt, net of unamortized bond discounts	15,480,596	16,170,339
Other long-term liabilities	2,997,989	3,094,985
<b>Total Noncurrent Liabilities</b>	<b>18,580,493</b>	<b>19,470,474</b>
<b>Total Liabilities</b>	<b>19,964,222</b>	<b>20,765,411</b>
<b>Net Position</b>		
Net investment in capital assets	14,118,856	14,235,274
Restricted	6,071,462	5,189,007
Unrestricted	4,928,999	4,277,188
<b>Total Net Position</b>	<b>25,119,317</b>	<b>23,701,469</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 45,083,539</b>	<b>\$ 44,466,880</b>

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
<b>Operating Revenue</b>		
Water sales	\$ 4,821,057	\$ 4,189,575
Reserved payments	1,307,780	1,307,515
<b>Total Operating Revenue</b>	<b>6,128,837</b>	<b>5,497,090</b>
<b>Operating Expenses</b>		
Depreciation expense	1,851,722	1,734,966
Director fees	2,400	2,200
Employee benefits	193,444	187,501
Insurance	108,780	79,528
Licenses, dues, and subscriptions	10,655	9,719
Maintenance and supplies	53,145	60,317
Office expenses	15,100	12,801
Payroll tax expense	64,676	57,428
Production and distribution equipment repairs	213,152	170,344
Production supplies	360,044	301,030
Professional fees	127,005	88,927
Sludge disposal	85,028	72,277
Travel, food and education	17,577	14,390
Truck expense	26,199	46,346
Trustee fees	2,000	2,000
Utilities and telephone	703,994	689,715
Wages	823,667	762,452
Water storage operation and maintenance	23,627	22,633
<b>Total Operating Expenses</b>	<b>4,682,215</b>	<b>4,314,574</b>
<b>Net Income From Operations</b>	<b>1,446,622</b>	<b>1,182,516</b>
<b>Other Income (Expenses)</b>		
Interest income	116,553	45,762
Grant proceeds	103,243	103,243
Capital contribution	266,000	-
Interest expense, inclusive of amortization of bond premium and amortization of deferred loss on advance refunding	(514,570)	(525,928)
<b>Total Net Other Income (Expenses)</b>	<b>(28,774)</b>	<b>(376,923)</b>
<b>Change in Net Position</b>	<b>1,417,848</b>	<b>805,593</b>
Net Position at Beginning of Year	23,701,469	22,895,876
<b>Net Position at End of Year</b>	<b>\$ 25,119,317</b>	<b>\$ 23,701,469</b>

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	\$ 6,091,512	\$ 5,435,668
Cash payments to suppliers for goods and services	(1,711,436)	(1,899,617)
Cash payments to employees for services	(817,986)	(749,410)
<b>Net Cash Provided By Operating Activities</b>	<b>3,562,090</b>	<b>2,786,641</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(1,042,224)	(3,908,069)
Interest paid on long-term debt	(533,527)	(552,204)
Principal paid on long-term debt	(655,000)	(640,000)
Principal paid on other long-term liabilities	(94,319)	(91,717)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(2,325,070)</b>	<b>(5,191,990)</b>
<b>Cash Flows From Investing Activities</b>		
Redemption of and reinvestment of certificate of deposit earnings	(26,606)	109,377
Net activity of debt service investments	32,671	3,490,581
Interest income	116,553	45,762
<b>Net Cash Provided By Investing Activities</b>	<b>122,618</b>	<b>3,645,720</b>
<b>Net Increase In Cash and Cash Equivalents</b>	<b>1,359,638</b>	<b>1,240,371</b>
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	6,847,710	5,607,339
<b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>	<b>\$ 8,207,348</b>	<b>\$ 6,847,710</b>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 3,986,207	\$ 3,453,418
Restricted checking and savings accounts	4,221,141	3,394,292
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b>\$ 8,207,348</b>	<b>\$ 6,847,710</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Net income from operations	\$ 1,446,622	\$ 1,182,516
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,851,722	1,734,966
In-kind asset	266,000	-
Net change in assets and liabilities:		
Accounts receivable	(37,325)	(36,021)
Prepaid expenses	(7,521)	(24,799)
Inventories	(40,930)	(32,619)
Accounts payable	77,841	(25,043)
Rebate payable	-	(25,401)
Accrued compensated absences	5,681	13,042
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 3,562,090</b>	<b>\$ 2,786,641</b>

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### Nature of Operations

In 1976, the Boone County Water District and Carroll County Water District merged pursuant to Arkansas Acts 1975, No. 208, codified as Arkansas Code Annotated 14-116-106, to form the Carroll-Boone Water District (the "District") for the purpose of acquiring, selling and distributing water stored in the Beaver Reservoir. The District sells water to member cities within Boone and Carroll counties, in Arkansas.

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The District's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The District accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the District's fiscal year. These standards had no impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### New Accounting Pronouncements (continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

#### Income Taxes

The District is exempt from income taxes as a governmental agency.

#### Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

#### Investments

Investments are presented at fair value. Restricted investments, consist primarily of U.S. Government securities designated for construction, to service semi-annual bond payments and fund a debt service reserve fund.

#### Accounts Receivable

Accounts receivable consists of water fees billed to member cities based on consumption. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. Management believes, based on this criteria, that all amounts are collectible, therefore, no allowance for doubtful accounts is recorded at September 30, 2023 and 2022.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

#### Inventories

Inventories consist of replacement parts and crucial repair items and are valued at cost, which approximates market using the first-in, first-out method.

#### Capital Assets and Depreciation

Capital outlays of the District are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals and relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

Intake structures	15 - 40 years
Water treatment plant	3 - 40 years
Transmission lines	7 - 40 years
Storage Tanks	15 - 40 years
Vehicles	5 - 10 years
Furniture and equipment	5 - 40 years

It is the District's policy to capitalize asset purchases greater than \$5,000 and expense asset purchases less than \$5,000.

#### Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized by the District during the years ended September 30, 2023 and 2022.



# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### Deferred Outflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

#### Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the District. Vacation time must be used by year-end or it is lost. Employees may carryforward up to 60 unused sick days from year to year. Upon termination from the District, employees, if eligible, may be paid their accumulated unused vacation and a maximum of ten accumulated unused sick days. The amount of accrued compensated absences at September 30, 2023 and 2022 was \$54,836 and \$49,155.

#### Net Position

Net position of the District are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external 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 position that does not meet the definition of "restricted" or "net invested in capital assets".

The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. The Board of Directors decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position balance amounts, restricted resources are considered spent before unrestricted.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District consist of water sales to member cities. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

### 2. Deposits and Investments

#### Deposits

The District follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Custodial credit risk is the risk that in the event of a bank failure, a District's deposits may not be recovered. At September 30, 2023 and 2022, all of the District's deposits were insured and/or collateralized. The bank balances and carrying amount of the District's deposits held were as follows:

<b>Description</b>	<b>2023 Bank Balance</b>	<b>2023 Carrying Amount</b>
Insured	\$ 338,458	\$ 338,458
Collateralized - by letter of credit or held by pledging bank or pledging bank's trust department in the District's name	7,965,503	7,868,889
Total	\$ 8,303,961	\$ 8,207,347

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 2. Deposits and Investments (continued)

#### Deposits

<b>Description</b>	<b>2022 Bank Balance</b>	<b>2022 Carrying Amount</b>
Insured	\$ 337,447	\$ 337,447
Collateralized - by letter of credit or held by pledging bank or pledging bank's trust department in the District's name	6,580,627	6,510,263
Total	\$ 6,918,074	\$ 6,847,710

Cash and cash equivalents are Included in the following statement of net position captions:

<b>As Of September 30,</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 3,986,207	\$ 3,453,418
Restricted checking and savings accounts	4,221,141	3,394,292
Total	\$ 8,207,348	\$ 6,847,710

#### Investments

Investment of the District's funds is restricted by state law, bond fund resolutions and the District's investment policy.

State statutes authorize the District to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 2. Deposits and Investments (continued)

#### Investments

Arkansas statutes also authorize the District to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state or the District of Columbia.

Investments consist of certificates of deposits and accounts established for construction, debt service and administration of the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost.

As Of September 30, 2023	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Fund</u>			
Fidelity Treasury Only Portfolio	\$ 732,700	52 days	AAA-mf/AAAm
<u>Debt Service Reserve</u>			
Fidelity Treasury Only Portfolio	562,727	52 days	AAA-mf/AAAm
Certificates of deposit	1,402,428	290 days	N/A
Total	\$ 2,697,855		

Investments as reported in the following statement of net position captions:

As Of September 30,	2023	2022
Certificates of deposit	\$ 701,214	\$ 687,911
Restricted certificates of deposit	701,214	687,911
Restricted investments	1,295,427	1,328,098
Total	\$ 2,697,855	\$ 2,703,920

#### Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The District's investments are not subject to interest rate risk as the investments are short-term in nature.

#### Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments at September 30, 2023 are either FDIC insured or issued and guaranteed by the U.S. government.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 2. Deposits and Investments (continued)

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the District or by an agent of the District are in the District's name.

#### Fair Value Measurement

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at September 30, 2023:

		Level 1		Level 2		Level 3		Total
Fidelity Treasury Only Portfolio	\$	1,295,427	\$	-	\$	-	\$	1,295,427
Certificates of deposit		1,402,428		-		-		1,402,428
Total	\$	2,697,855	\$	-	\$	-	\$	2,697,855

### 3. Restricted Funds and Required Accounts

Restricted funds and required accounts are for the following:

**Depreciation Fund** - for repairs, maintenance, betterments and improvements of the District. The bond trust indenture requires minimum monthly deposits based upon sales, dependent on the account balance. The District's monthly deposits currently exceed the amount required by the bond trust indenture.

**Bond Fund** - for the payment of principal, interest and trustee fees on the bonds.

**Construction Fund** - for the planned capital improvements to the District (see Notes 4 and 14).

**Debt Service Reserve** - a reserve to pay principal and interest on the bonds if bond fund monies are not available.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 3. Restricted Funds and Required Accounts (continued)

As Of September 30,	2023	2022
Restricted checking and savings:		
Depreciation Fund	\$ 4,219,641	\$ 3,392,792
Bond Fund	1,500	1,500
<b>Total Restricted Checking and Savings</b>	<b>\$ 4,221,141</b>	<b>\$ 3,394,292</b>
Restricted certificates of deposit:		
Depreciation Fund	\$ 701,214	\$ 687,911
<b>Total Restricted Certificates of Deposit</b>	<b>\$ 701,214</b>	<b>\$ 687,911</b>
Restricted investments:		
Construction Fund	\$ -	\$ 72,790
Bond Fund	732,700	697,682
Debt Service Reserve Fund	562,727	557,626
<b>Total Restricted Investments</b>	<b>\$ 1,295,427</b>	<b>\$ 1,328,098</b>

### 4. Capital Assets

Activity of capital assets consists of the following:

As Of	October 1, 2022	Additions & Contributions	Retirements/ Transfers	September 30, 2023
Land and land easements	\$ 2,195,266	\$ -	\$ -	\$ 2,195,266
Water rights	4,002,767	-	-	4,002,767
Intake structures	1,383,401	-	-	1,383,401
Water treatment plant	18,985,962	266,000	-	19,251,962
Transmission lines	30,542,740	-	-	30,542,740
Storage Tanks	3,371,318	-	-	3,371,318
Vehicles	275,400	154,537	-	429,937
Furniture and equipment	2,139,989	4,108,745	-	6,248,734
Construction in process	4,013,658	399,366	3,886,424	526,600
<b>Total Capital Assets</b>	<b>66,910,501</b>	<b>4,928,648</b>	<b>3,886,424</b>	<b>67,952,725</b>
Less: Accumulated Depreciation	32,893,893	1,851,722	-	34,745,615
<b>Capital Assets, net</b>	<b>\$ 34,016,608</b>	<b>\$ 3,076,926</b>	<b>\$ 3,886,424</b>	<b>\$ 33,207,110</b>

In April 2023, the City of Berryville donated a new Shady Grove Meter Station. The total contribution was valued at \$266,000.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 4. Capital Assets (continued)

As Of	October 1, 2021	Additions & Contributions	Retirements/ Transfers	September 30, 2022
Land and land easements	\$ 2,195,266	\$ -	\$ -	\$ 2,195,266
Water rights	4,002,767			4,002,767
Intake structures	637,962	745,439	-	1,383,401
Water treatment plant	18,594,497	391,465	-	18,985,962
Transmission lines	30,542,740	-	-	30,542,740
Storage Tanks	3,371,318	-	-	3,371,318
Vehicles	275,400	-	-	275,400
Furniture and equipment	2,091,442	48,547	-	2,139,989
Construction in process	1,291,040	3,859,522	1,136,904	4,013,658
Total Capital Assets	63,002,432	5,044,973	1,136,904	66,910,501
Less: Accumulated Depreciation	31,158,927	1,734,966	-	32,893,893
Capital Assets, net	\$ 31,843,505	\$ 3,310,007	\$ 1,136,904	\$ 34,016,608

Construction in progress of \$526,600 at September 30, 2023 is for the following projects:

Project	Balance	Est. Total Cost	Estimated Completion
East and West generator improvements	\$ 187,575	\$ 187,575	Beginning of 2024
Transmission line	147,136	unknown	unknown
West Back Wash Pump	160,704	537,440	December 2023
West Plant Chlorine/Ammonia	6,980	117,961	unknown
East Plant Chlorine/Ammonia	24,205	54,226	unknown
Total	\$ 526,600	\$ 897,202	

### 5. Deferred Revenue

In January 2014, the District received a grant in an amount not to exceed \$1,032,425 from the Delta Dental of Arkansas Foundation. The total proceeds received of \$1,030,942 were used to pay for equipment and labor associated with fluoridating the District's water system. Under the grant terms, the District is required to fluoridate the water for ten years, or refund the proceeds based on a prorated calculation. The grant proceeds were recorded as deferred revenue and the revenue is recognized as earned over the ten year period. The District recognized \$103,243 of revenue during the year ended September 30, 2023. The remaining deferred revenue balance will be recognized as revenue in the following years:

Year Ended September 30,	
2024	\$ 103,243
2025	101,908
Total	\$ 205,151

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 6. Long-Term Debt

As Of September 30,	2023	2022
2020 Series Water Refunding and Improvement Revenue Bonds, issued July 23, 2020, in the original amount of \$17,145,000. The bonds yield varying rates of interest ranging from 1.00% to 4.00%. Final maturity of the bonds is December 1, 2040. The bonds are secured by the District's revenues and all property owned by the District.	\$ 15,630,000	\$ 16,285,000
Total	15,630,000	16,285,000
Less current portion	660,000	655,000
Long-Term Debt	14,970,000	15,630,000
Plus: unamortized premium	510,596	540,339
Long-term debt, net	\$ 15,480,596	\$ 16,170,339

The 2020 Water Refunding and Improvement Revenue Bonds were issued to refund the Series 2014 Water Refunding and Improvement Revenue Bonds and the Series 2015 Water Revenue Bonds, and finance the cost of capital improvements planned by the District which include updates to power generation facilities, pumping and valve upgrades at the water intake facility and continuing segments of a parallel water transmission line.

Debt is scheduled to be repaid as follows:

September 30,	Interest Rate	Interest	Principal	Total
2024	1.000%	\$ 435,663	\$ 660,000	\$ 1,095,663
2025	1.000%	418,863	675,000	1,093,863
2026	4.000%	391,263	705,000	1,096,263
2027	4.000%	362,463	735,000	1,097,463
2028	4.000%	336,363	760,000	1,096,363
2028-2033	3.000%	1,321,063	4,150,000	5,471,063
2034-2038	2.250 - 3.000%	682,278	4,790,000	5,472,278
2039-2043	2.250 - 2.500%	105,547	3,155,000	3,260,547
Total		\$ 4,053,503	\$ 15,630,000	\$ 19,683,503

The 2020 Series Water Refunding and Improvement Revenue Bond Indenture contains a default provision that in the event of default, the entire unpaid principal and interest amounts become immediately due and payable.



# **CARROLL-BOONE WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

### **7. Unamortized Bond Premium and Loss on Advance Bond Refunding**

The bond premium incurred in connection with the issuance of the 2020 Series Water Refunding and Improvement Revenue Bonds are deferred and amortized over the term of the bond which is 21 years. Amortization of the bond premium totaled \$29,743 for the year ended September 30, 2023 and 2022, and is netted with interest expense in the statement of revenues, expenses and changes in net position. The unamortized portion of \$510,596 and \$540,339 at September 30, 2023 and 2022, is added to total long-term debt on the statement of net position.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The balance of \$147,324 and \$160,518 at September 30, 2023 and 2022 is shown as deferred loss on refunding on the statement of net position and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization deferred loss totaled \$13,193 for the year ended September 30, 2023 and 2022 and is included in interest expense in the statement of revenues, expenses and changes in net position.

### **8. Rate Covenant**

The 2020 Series Water Refunding and Improvement Revenue Bond Indenture contains a provision (the Rate Covenant) which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve and Depreciation Funds, and (3) leave a balance equal to 120% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity obligations. The Indenture also requires the District to maintain specific restricted cash accounts and to meet various other general requirements. The District is in compliance with all such significant covenants and restrictions at September 30, 2023.

### **9. Other Long-Term Liabilities**

On May 27, 1977, the District signed an agreement with the U.S. Army Corps of Engineers (USACE) to purchase water storage rights at the Beaver Reservoir on the White River, in Arkansas. The contract requires fifty consecutive annual payments for project investment costs plus 0.735% of joint use costs for repair, rehabilitation and replacement (RR&R) and operation and maintenance (O&M) expenses. The total cost of the project was \$742,000. The District is currently making annual payments of \$26,497 with the final repayment scheduled in 2032. The balance outstanding on the contract at September 30, 2023 and 2022 was \$209,234 and \$229,535.

On June 15, 2006, the USACE allocated additional acre-feet at the Beaver Reservoir to the District. The District was not required to pay for any of the project investment costs, but is required to pay 0.196% of the joint use costs for RR&R and O&M expenses.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 9. Other Long-Term Liabilities (continued)

On May 18, 2020, the USACE allocated additional acre-feet at the Beaver Reservoir to the District. The total project investment cost to the District is \$3,260,767 plus 0.9% of joint use costs for RR&R and O&M expenses. The District is currently making annual payments of \$159,111 with the final payment scheduled in 2049. The outstanding balance on the contract at September 30, 2023 and 2022 is \$2,885,751 and \$2,959,769.

Future water right payments are scheduled as follows:

September 30,	Principal	Interest	Total
2024	\$ 96,995	\$ 88,613	\$ 185,608
2025	99,747	85,861	185,608
2026	102,577	83,031	185,608
2027	105,488	80,120	185,608
2028	108,481	77,127	185,608
2029-2033	563,862	337,680	928,039
2034-2038	535,405	260,150	822,052
2039-2043	616,924	178,631	795,555
2044-2048	710,854	84,701	795,555
2049	154,652	4,446	318,209
Total	\$ 3,094,985	\$ 1,280,360	\$ 4,587,450

### 10. Activity of Long-Term Liabilities

Activity of long-term liabilities is as follows:

As Of	October 1, 2022	Additions & Contributions	Retirements	September 30, 2023	Due Within One Year
2020 Series Bonds \$	16,285,000	\$ -	\$ 655,000	\$ 15,630,000	\$ 660,000
USACE - 1977	229,535	-	20,301	209,234	20,850
USACE - 2020	2,959,769	-	74,018	2,885,751	76,146
Deferred revenue	308,392	-	103,243	205,149	103,243
Total	\$ 19,782,696	\$ -	\$ 852,562	\$ 18,724,985	\$ 860,239

As Of	October 1, 2021	Additions & Contributions	Retirements	September 30, 2022	Due Within One Year
2020 Series Bonds \$	16,925,000	\$ -	\$ 640,000	\$ 16,285,000	\$ 655,000
USACE - 1977	249,303	-	19,768	229,535	20,301
USACE - 2020	3,031,718	-	71,949	2,959,769	74,018
Deferred revenue	411,635	-	103,243	308,392	103,243
Total	\$ 20,617,656	\$ -	\$ 834,960	\$ 19,782,696	\$ 852,562

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 11. Water Sales / Memorandum of Understanding

On December 18, 1998, the District signed a Memorandum of Understanding with the cities of Berryville, Eureka Springs, Green Forest and Harrison, Arkansas. Under the agreement, the District will sell water to the member cities in an amount necessary to meet the cities respective water demands. The Cities will pay the District a rate sufficient to enable the District to pay all debt service, including water storage rights, operation and maintenance cost, maintain all covenants and reserves and maintain other reserves, collectively "total system costs". At the end of the year, if the District's total system costs exceed total water sales, then all users of the District shall be charged with the difference. If the total system costs are less than total water sales, the member cities shall be credited with the difference in the form of a rebate. For the years ended September 30, 2023 and 2022, the District accrued no rebate or refund.

Total sales to the cities were as follows:

	Gallons (in 000's)	Amount
<b>Year Ended September 30, 2023</b>		
Harrison	1,148,074	\$ 2,439,154
Green Forest	954,879	2,031,834
Berryville	486,698	1,032,103
Eureka Springs	292,375	622,633
Other	787	3,113
<b>Total</b>	<b>2,882,814</b>	<b>\$ 6,128,837</b>

	Gallons (in 000's)	Amount
<b>Year Ended September 30, 2022</b>		
Harrison	1,219,365	\$ 2,271,727
Green Forest	915,922	1,705,034
Berryville	512,191	954,937
Eureka Springs	301,416	562,520
Other	773	2,872
<b>Total</b>	<b>2,949,668</b>	<b>\$ 5,497,090</b>

### 12. Concentrations of Credit Risks

Generally accepted accounting principles require disclosure of certain vulnerabilities due to certain concentrations. The District's water sales are to cities located in Northwest and North central Arkansas. Four of these cities comprised approximate 97% of the District's total water sales during the year ended September 30, 2023. In addition, the District's water supply comes from one source. Any significant reduction in sales to one city or any changes or contamination in the water supply could negatively impact the District.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### 13. Retirement Plan

The District sponsors a Simplified Employee Pension (SEP) plan. Employees must be at least 20 years of age and employed by the District for two years to be eligible to participate in the plan. The District contributes 10% of employee compensation up to a maximum of \$10,000 per employee per year. District contributions totaled \$67,294 and \$72,911 for the year ended September 30, 2023 and 2022.

### 14. Commitments & Contingencies

#### Master Plan

In 2019, the District completed its Master Plan in order to: comply with Arkansas Department of Health guidelines suggesting updates to master plans every three to five years, determine the projected needs of the District and its customer cities for a 20-year design horizon, evaluate the current capacity of the District's water treatment, transmission and storage facilities, and make recommendations for improvements required to accommodate present and future needs, and evaluate the current electrical and generation state of the water treatment plants and make recommendations for improvements to accommodate present and long-term needs. The timeline for the Master Plan involves three phases as follows:

Phase I - includes paralleling the existing 24-inch concrete pipe east of the Green-Berry Booster Station with approximately 5,100 linear feet of 36-inch pipe as well as improvements to the intake pumps and power generation improvements. The total estimated cost of Phase I projects is \$4,300,000.

Phase II - includes the continued paralleling of the concrete portion of the transmission line from Phase I improvements to Green Forest. The total estimated cost of Phase II projects is \$4,300,000.

Phase III - includes the continued paralleling of the concrete portion of the transmission line from Berryville to the Green-Berry Booster Station and the Green Forest Meter Station as well as raw water and treatment facilities expansion. The total estimated cost of Phase III projects is \$16,600,000.

Subsequent to year-end, the total anticipated costs of all projects increased by 30% due to a variety of supply chain and other issues caused by the pandemic.

#### Solids (Sludge) Removal

In July 2020, the District entered into an agreement for the removal of solids from the East and West Plants. Per the agreement, the District will pay at a rate of \$0.044, \$0.045 and \$0.056 per gallon of sludge removed for the calendar years 2021, 2022 and 2023, respectively. The District incurred costs totaling \$69,452 and \$56,241 for sludge removal during the year ended September 30, 2023 and 2022.

# **CARROLL-BOONE WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

### **15. Risk Management**

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of losses, as well as other risks of loss such as workers' compensation insurance, general liability and property insurance.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

### **16. Subsequent Events**

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended September 30, 2023 through November 8, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

***ADDITIONAL REQUIRED REPORT***



**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***

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To the Board of Commissioners  
Carroll-Boone Water District  
Eureka Springs, Arkansas

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 Carroll-Boone Water District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated November 8, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carroll-Boone Water 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.

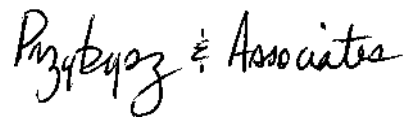
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carroll-Boone Water 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 the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 8, 2023**