

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

City Council
City of Des Arc
Des Arc, Arkansas

Opinion

We have audited the accompanying financial statements of the business-type activities of North Prairie County Water Extension System as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North Prairie County Water Extension System's basic 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 respective financial position of the business-type activities of the North Prairie County Water Extension System as of December 31, 2022 and 2021, and the respective changes in financial position and, cash flows thereof 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. 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 North Prairie County Water Extension System 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Prairie County Water Extension System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 North Prairie County Water Extension System'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 aggregate, that raise substantial doubt about North Prairie County Water Extension System'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 and budgetary comparison information on pages 4 through

8 and 22 through 23 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 Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Prairie County Water Extension System's basic financial statements. The accompanying supplementary schedules listed in the table of contents are 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 other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 July 1, 2024 on our consideration of North Prairie County Water Extension System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Prairie County Water Extension System's internal control over financial reporting and compliance.



Certified Public Accountants
July 1, 2024

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2022

This section presents management's analysis of the financial condition and activities of the North Prairie County Water Extension System (the System) for the year ended December 31, 2022.

Financial Highlights

Management believes North Prairie County Water Extension System's financial condition is stable. The System is within its debt covenants and financial policies and guidelines set by the board. The following are key financial highlights:

- Total assets at December 31, 2022 were \$1,505,757 and exceeded liabilities in the amount of \$114,628, a decrease of 7.1% from 2021. Total assets at December 31, 2021 were \$1,620,385 and exceed liabilities in the amount of \$775,171, a decrease of 8.9% from 2020.
- Operating revenue amounted to \$517,304 in 2022. This was an increase of \$32,593 or 6.7% from 2021. Operating revenue for 2021 was \$484,711, a decrease of \$21,274, or 4.6% from 2020.
- Operating expense in 2022 before depreciation decreased by \$72,815 or 22.2% from 2021. In 2021 operating expenses before depreciation increased by \$100,923 or 23.5% from 2020.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of North Prairie County Water Extension System's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the System's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the System on an accrual historical cost basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year, as well as information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flow presents changes in cash and cash equivalents, resulting from operational financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2022

Overview of Annual Financial Report (Continued)

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information comparing the budget to actual expenses is provided.

Summary of Organization and Business

The System provides retail water service to approximately 964 customers.

The facilities of the System include water plant equipment acquired or contracted at a cost of \$4.1 million.

The System operates under the direction of the City Council of the City of Des Arc, Arkansas.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operation expenses are funded by customer revenue, and the acquisition and construction of capital assets are funded by sewer revenue bonds.

Financial Analysis

The comparative financial statements from pages 9 through 11 and other selected information listed below serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2022

Other Selected Information

Selected data for analysis:	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Customers at year end	964	950	945	1.5%
Revenue:				
Utility Revenue	\$ 495,404	\$ 463,818	\$ 444,520	6.8%
Total Revenue	517,304	484,711	463,437	6.7%
Utilities Expenses:				
Expenses excluding depreciation	400,546	327,731	428,654	22.2%
Total Expenses	523,213	450,258	551,159	16.2%
Ratio of operating revenue to:				
Operating expenses	0.99	1.08	0.84	-8.3%
Operating expenses net of depreciation	1.29	1.48	1.08	-12.8%
Total Assets	0.34	0.30	0.27	13.3%
Net Position	0.70	0.48	0.60	45.8%
Debt related ratios:				
Debt to net position	1.05	1.03	1.20	1.9%

General Trends and Significant Events

The population of the area served remained generally constant for December 2022 and December 2021, while the number of customers serviced by the System increased from 950 to 964.

Financial Condition

The System's financial condition remained stable. Total unrestricted assets at December 31, 2022 increased by \$55,614 or 35.1%. Restricted and other assets decreased by \$96,313, which is primarily represented by the increase in the depreciation account. As of December 31, 2021, total unrestricted assets decreased by \$1,371 or 0.8%, from 2020. Restricted and other assets decreased by \$73,106, which was primarily represented by the income in the depreciation and capital asset account.

Operating revenues in 2022 were 6.7% greater than 2021 while accounts receivable at year-end increased by 24.0% from 2021.

Operating revenues in 2021 were 4.6% greater than 2020 while accounts receivable at year-end increased by 2.9% from 2020.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2022

Results of Operations

Net Operating Income:

The net operating income (loss) was \$(5,909) in 2022 and \$34,453 in 2021.

Expenses:

The utility operating expense including depreciation, increased from \$450,258 in 2021 to \$523,213 or 101.0% of total operating revenue. In 2021 total operating expenses were 92.9% of total operating revenue.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2021-2022</u> <u>Variance %</u>
Utilities	\$ 9,339	\$ 8,993	\$ 7,716	3.8%
Maintenance, Repairs, and Supplies	140,674	98,433	161,860	42.9%
Office	181,096	153,254	199,556	18.2%
Billing	28,598	28,248	28,155	1.2%
Professional Services	20,031	18,378	21,752	9.0%
Other Operating	20,808	20,425	9,615	1.9%
Depreciation	<u>122,667</u>	<u>122,527</u>	<u>122,505</u>	0.1%
 Total Operating Expense	 <u>\$ 523,213</u>	 <u>\$ 450,258</u>	 <u>\$ 551,159</u>	 16.2%

Capital Assets and Long-Term Debt

During 2022, the investment in plant and equipment decreased by \$122,667 in 2022 and \$88,110 in 2021. There were no capital acquisitions in 2022 but, \$34,417 in 2021, and depreciation expense was \$122,667 in 2022 and \$122,257 in 2021. Total debt to capital assets was 65% at the end of 2022 and 72% at the end of 2021.

Final Comments

The System has remained financially stable and maintained its mission of providing affordable, efficient, and reliable utility services to its users.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2022

Contacting the System's Financial Management

This financial report is designed to provide our citizens, taxpayers, and granting agencies with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If there are questions about this report or the need for additional financial information arises, contact the North Prairie County Water Extension System, P.O. Box 389, Des Arc, Arkansas, 72040-0389.

NORTH PRARIE COUNTY WATER EXTENSION SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water Sales	\$ 495,404	\$ 463,818
Other Operating Revenue	<u>21,900</u>	<u>20,893</u>
TOTAL OPERATING REVENUES	<u>517,304</u>	<u>484,711</u>
OPERATING EXPENSES		
Utilities	9,339	8,993
Maintenance, Repair, and Supplies	140,674	98,433
Contract Labor	1,410	1,350
Office	181,096	153,254
Insurance	6,102	10,524
Billing	28,598	28,248
Professional Services	20,031	18,378
Bad Debts	387	660
Other Operating Expenses	<u>12,909</u>	<u>7,891</u>
TOTAL OPERATING EXPENSES	<u>400,546</u>	<u>327,731</u>
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	116,758	156,980
DEPRECIATION EXPENSE	<u>122,667</u>	<u>122,527</u>
NET OPERATING INCOME (LOSS) AFTER DEPRECIATION	<u>(5,909)</u>	<u>34,453</u>
OTHER REVENUE (EXPENSES)		
Interest Income	3,290	5,760
Interest Expense	<u>(38,080)</u>	<u>(41,690)</u>
TOTAL OTHER REVENUE (EXPENSES)	<u>(34,790)</u>	<u>(35,930)</u>
INCREASE (DECREASE) IN NET POSITION	(40,699)	(1,477)
NET POSITION - BEGINNING OF YEAR	<u>775,171</u>	<u>776,648</u>
NET POSITION - END OF YEAR	<u>\$ 734,472</u>	<u>\$ 775,171</u>

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

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITES</u>		
Cash Received from Customers	\$ 487,880	\$ 462,268
Cash Payments to Suppliers for Goods and Services	(401,134)	(345,736)
Other Operating Income	21,900	20,893
Net Cash Provided - Operating Activities	<u>108,646</u>	<u>137,425</u>
<u>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITES</u>		
Bond Principal Paid	(73,786)	(70,181)
Bond Interest Paid	(38,160)	(41,690)
Property Acquisition, Net	-	(34,417)
Net Cash Provided - Capital and Related Financing	<u>(111,946)</u>	<u>(146,288)</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Interest Received	<u>3,290</u>	<u>5,760</u>
Net Cash Provided - Investing Activities	<u>3,290</u>	<u>5,760</u>
<u>CASH FLOWS - OTHER ACTIVITIES</u>		
Meter Deposits, Net	<u>525</u>	<u>1,050</u>
Net Cash Provided - Other Activities	<u>525</u>	<u>1,050</u>
Net Increase (Decrease) in Cash	515	(2,053)
Cash, Beginning of Year	<u>482,494</u>	<u>484,547</u>
Cash, End of Year	<u>\$ 483,009</u>	<u>\$ 482,494</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</u>		
Operating Income Before Depreciation Adjustments	\$ 116,758	\$ 156,980
Accounts Receivable (Increase) Decrease	(7,524)	(890)
Operating Liabilities Increase (Decrease)	<u>(588)</u>	<u>(18,665)</u>
Net Cash Provided From Operating Activities	<u>\$ 108,646</u>	<u>\$ 137,425</u>

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

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

The North Prairie County Water Extension System (the System) is a component unit of the City of Des Arc, Arkansas (the City). These financial statements are prepared from the books and records of the North Prairie County Water Extension System. These financial statements are not intended to present fairly the financial position of the City of Des Arc, Arkansas, and the results of its operations and the cash flows of its proprietary and similar trust fund types in conformity with generally accepted accounting principles. Transactions with the City of Des Arc are more fully described in Note 7.

(b) Basis of Accounting

The System uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

(c) Cash and Cash Equivalents

For purpose of the statement of cash flows, the System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2022 and 2021 are more fully explained in Note 3.

(e) Restricted Assets

Restricted assets consist of checking accounts, certificates of deposit, and investments restricted to use as indicated by fund title.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Capital Assets

Purchased capital assets are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

Utility Plant	40 years
Office Equipment	5 years
Utility Equipment	5 years

Details of changes in capital assets for the years ended December 31, 2022 and 2021 are more fully explained in Note 5.

(g) Contributed Assets

Contributed assets are recorded at estimated fair value at the time of receipt or based on cost of construction.

(h) Unamortized Bond Issuance Costs

Costs associated with the issuance of bonds are capitalized as bond issuance costs and amortized over the life of the related bonds.

(i) Capitalization of Interest

Interest has been capitalized on major construction projects based on the applicable rate of borrowed funds for that project. If funds were required in excess of specifically borrowed funds, an average rate for all borrowed funds was used to capitalize interest.

(j) Revenue Recognition

The accounts receivable and revenue recognized are based on meter readings by System personnel. The meter readings are made at various times of the month, and approximately twenty days of water consumption during any month remain unbilled at the end of the month.

(k) Basis for Estimates

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

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the statements of net assets as of December 31, 2022 and 2021, respectively, follows:

	<u>2022</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 174,328	\$ 308,166	\$ 482,494
Net Increase (Decrease)	<u>(12,137)</u>	<u>12,652</u>	<u>515</u>
Cash at End of Year	<u>\$ 162,191</u>	<u>\$ 320,818</u>	<u>\$ 483,009</u>
	 <u>2021</u> 		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 191,385	\$ 293,162	\$ 484,547
Net Increase (Decrease)	<u>(17,057)</u>	<u>15,004</u>	<u>(2,053)</u>
Cash at End of Year	<u>\$ 174,328</u>	<u>\$ 308,166</u>	<u>\$ 482,494</u>

The System's funds are combined with the departmental bank accounts of the City of Des Arc in determining the appropriateness of collateralization from financial institutions.

The System's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Included in the System's total cash balances of \$483,565 and \$483,980 at December 31, 2022 and 2021, respectively, are deposits with financial institutions which are categorized as credit risk as follows:

	<u>2022</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 483,009	\$ 483,565
Uninsured, Uncollateralized	-	-
Total	<u>\$ 483,009</u>	<u>\$ 483,565</u>

	<u>2021</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 482,494	\$ 483,980
Uninsured, Uncollateralized	-	-
Total	<u>\$ 482,494</u>	<u>\$ 483,980</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Trade Receivable, Current	\$ 36,826	\$ 32,956
Trade Receivable, Past Due	<u>24,175</u>	<u>20,134</u>
Total	<u>61,001</u>	<u>53,090</u>
Allowance for Uncollectible, Beginning of year	(21,691)	(21,031)
Provision for Bad Debt (Expense) Recovery	<u>(387)</u>	<u>(660)</u>
Allowance for Uncollectible, End of year	<u>(22,078)</u>	<u>(21,691)</u>
Accounts Receivable, net of Allowance for Uncollectible	<u>\$ 38,923</u>	<u>\$ 31,399</u>

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4: RESTRICTED ASSETS

An analysis of Restricted Assets is as follows:

	<u>2022</u>	<u>2021</u>
Depreciation		
Cash	\$ 96,941	\$ 85,309
Certificate of Deposit	<u>52,000</u>	<u>52,000</u>
	<u>148,941</u>	<u>137,309</u>
Meter Deposit Account		
Cash	9,192	8,665
Certificate of Deposit	<u>39,000</u>	<u>39,000</u>
	<u>48,192</u>	<u>47,665</u>
Revenue Bond Account		
Certificate of Deposit	<u>123,685</u>	<u>123,192</u>
	<u>123,685</u>	<u>123,192</u>
 TOTAL RESTRICTED ASSETS	 <u>\$ 320,818</u>	 <u>\$ 308,166</u>

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5: CAPITAL ASSETS

A summary of changes in the cost of capital assets for the years ended December 31, 2022 and 2021 is as follows:

	2022			Balance 12/31/2022
	Balance 12/31/2021	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
 Total Capital Assets Not Being Depreciated	3,000	-	-	3,000
 Capital Assets Being Depreciated:				
Utility Plant	3,675,111	-	-	3,675,111
Utility Equipment	555,267	-	-	555,267
Office Equipment	711	-	-	711
Subtotal	4,231,089	-	-	4,231,089
 Total Capital Assets Being Depreciated	4,231,089	-	-	4,231,089
 Less Accumulated Depreciation for:				
Utility Plant	2,673,897	91,415	-	2,765,312
Utility Equipment	453,131	31,252	-	484,383
Office Equipment	569	-	-	569
Subtotal	3,127,597	122,667	-	3,250,264
 Total Accumulated Depreciation	3,127,597	122,667	-	3,250,264
 Capital Assets Net	\$ 1,106,492	\$ (122,667)	\$ -	\$ 983,825

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5: CAPITAL ASSETS (CONTINUED)

	2021			Balance 12/31/2021
	Balance 12/31/2020	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total Capital Assets Not Being Depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital Assets Being Depreciated:				
Utility Plant	3,675,111	-	-	3,675,111
Utility Equipment	520,850	34,417	-	555,267
Office Equipment	711	-	-	711
Subtotal	<u>4,196,672</u>	<u>34,417</u>	<u>-</u>	<u>4,231,089</u>
Total Capital Assets Being Depreciated	<u>4,196,672</u>	<u>34,417</u>	<u>-</u>	<u>4,231,089</u>
Less Accumulated Depreciation for:				
Utility Plant	2,582,019	91,878	-	2,673,897
Utility Equipment	422,482	30,649	-	453,131
Office Equipment	569	-	-	569
Subtotal	<u>3,005,070</u>	<u>122,527</u>	<u>-</u>	<u>3,127,597</u>
Total Accumulated Depreciation	<u>3,005,070</u>	<u>122,527</u>	<u>-</u>	<u>3,127,597</u>
Capital Assets Net	<u>\$ 1,194,602</u>	<u>\$ (88,110)</u>	<u>\$ -</u>	<u>\$ 1,106,492</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$122,667 and \$122,527 respectively.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6: LONG-TERM DEBT

Changes in long-term debt during the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>				
	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
Farmers Home Administration	\$ 796,957	\$ -	\$ 73,786	\$ 723,171	\$ 77,546

	<u>2021</u>				
	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
Farmers Home Administration	\$ 867,138	\$ -	\$ 70,181	\$ 796,957	\$ 73,771

In 1991 the City entered into an agreement with FHA for a loan and a grant to acquire the North Prairie County Water Extension System. The loan amount of \$1,900,000 with a 5 percent interest rate is payable over a 40 year period from the date of closing. The bonds are not general obligations of the City of Des Arc but are special obligations of the City payable solely from receipts received from the operation of the System. The bonds are secured by a statutory mortgage lien upon the System and a pledge by the City of Des Arc of the revenues pursuant to the provisions of Act 131 of the Acts of Allowance of 1953, as amended, in favor of the recognized owner of the bonds. Monthly payments of \$9,329, which includes principal and interest, are now being made to FHA.

A reserve of \$111,840 was established in accordance with Farmers Home Administration requirements. The balance in the Revenue Bond account was \$123,685 and \$123,192 at December 31, 2022 and 2021, respectively. Estimated bond requirements are as follows:

<u>Years</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Required</u>
2023	\$ 34,402	\$ 77,546	\$ 111,948
2024-2030	117,669	645,625	763,294
Total	<u>\$ 152,071</u>	<u>\$ 723,171</u>	<u>\$ 875,242</u>

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6: LONG-TERM DEBT (CONTINUED)

The following presents the annual principal and interest payments for bonds payable outstanding at December 31, 2022:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Required</u>
2023	\$ 77,546	\$ 34,402	\$ 111,948
2024	81,513	30,435	111,948
2025	85,684	26,264	111,948
2026	90,067	21,881	111,948
2027	94,675	17,273	111,948
2028-2030	293,686	21,816	315,502
Total	<u>\$ 723,171</u>	<u>\$ 152,071</u>	<u>\$ 875,242</u>

NOTE 7: RELATED PARTY TRANSACTIONS

As mentioned in Note 1, the System is a component unit of the City of Des Arc. During the years ended December 31, 2022 and 2021, the System was involved with the City of Des Arc and its related entities in the following matters:

- (a) The System utilized personnel of the Des Arc Water System, and the component unit of the City of Des Arc, for repairs and certain other functions. Additionally, the System shares its billing collection and accounting function with the Des Arc Water System. During the year ended December 31, 2022, the North Prairie County Water Extension System made water purchases of \$97,227 from the Des Arc Water System, and it reimbursed the Des Arc Water System \$6,000 for connection expenses and billing services. In the year ended December 31, 2021, the system made water purchases of \$78,672 from the Des Arc Water System, and it reimbursed the Des Arc Water System \$4,800 for connection expenses and billing services.
- (b) The System rented space from the City of Des Arc for \$500 per month and reimbursed the City General Fund \$6,000 each year in the years ended December 31, 2022 and 2021, respectively.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8: RISK MANAGEMENT

The System has purchased insurance policies from the Arkansas Municipal League as well as commercial carriers for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Payments and premiums for these policies are recorded as expenses of the System. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant changes in coverage compared to the prior year.

NOTE 9: SUBSEQUENT EVENTS

The North Prairie County Water Extension System did not have any recognized or nonrecognized subsequent events occur after December 31, 2022, the date of the statement of net position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through July 1, 2024, the date the financial statements were available to be issued.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Amended and Final Budget	Actual (Budgetary Basis) (See Note A)	Variance
<u>Operating Revenue</u>	\$ 536,325	\$ 562,524	\$ 520,594	\$ 41,930
<u>Expenses</u>				
Utilities	10,000	9,340	9,339	1
Maintenance and Repairs	7,500	12,923	12,923	-
Insurance	12,000	6,102	6,102	-
Professional Services	15,000	19,664	19,664	-
Bad Debt	-	-	387	(387)
Loan Payment	111,912	111,948	111,866	82
Purchased Investments	15,000	10,976	10,976	-
Other Operating Expenses	750	1,161	1,732	(571)
Water Purchases	100,000	97,227	97,227	-
Connection Expense	5,000	6,000	6,000	-
Reconnection Fee Expense	1,500	450	367	83
Meetings, Dues	350	-	-	-
Operating Supplies	12,000	24,530	24,526	4
Office Supplies / Printing	6,000	4,130	4,126	4
Legal / Accounting	3,500	-	-	-
Sales Tax Paid	41,500	40,440	664	39,776
Health Department Fees	4,500	4,605	4,604	1
Gas and Oil	2,500	6,825	5,909	916
Rent	6,000	6,000	6,000	-
Bookkeeping	33,000	28,600	28,598	2
Capital Expenditures	15,000	-	-	-
Contract Labor	1,350	1,410	1,410	-
Transfer Investment / Depreciation	11,184	11,184	-	11,184
Transfers	144,175	157,769	159,992	(2,223)
Total Operating Expenses	<u>559,721</u>	<u>561,284</u>	<u>512,412</u>	<u>48,872</u>
Revenue in Excess of (Under) Expenses	<u>\$ (23,396)</u>	<u>\$ 1,240</u>	<u>\$ 8,182</u>	<u>\$ 6,942</u>

See independent auditors' report on required supplementary information.

NORTH PRAIRIE COUNTY WATER EXTENSION SYSTEM
 NOTE TO BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Uses/Outflows of resources:

Actual amounts (budgetary basis) from the budgetary comparison schedule.	\$	8,182
Differences - budget to GAAP		
Budget for capital expenditures as an outflow of budgetary resources		-
Depreciation of capital items for GAAP purposes		(122,667)
Budget for debt service on loan as an outflow of budgetary revenue		111,866
Interest expense on indebtedness for GAAP purposes		<u>(38,080)</u>
Net Increase (Decrease) in Net Position	\$	<u><u>(40,699)</u></u>

COBB AND SUSKIE, LTD.

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Michael L. Cobb

Anne Suskie Pinyan

Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City Council
City of Des Arc, Arkansas
Des Arc, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the North Prairie County Water Extension System as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the North Prairie County Water Extension System's basic financial statements, and have issued our report thereon dated July 1, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Prairie County Water Extension System'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 North Prairie County Water Extension System's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Prairie County Water Extension System'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 may exist that have not been identified.

City Council
City of Des Arc, Arkansas
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Prairie County Water Extension System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountants
July 1, 2024