

**EL DORADO RURAL PUBLIC WATER
AUTHORITY OF THE STATE OF ARKANSAS
El Dorado, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2023 and 2022
And
INDEPENDENT AUDITOR'S REPORT**

**EL DORADO RURAL PUBLIC WATER
 AUTHORITY OF THE STATE OF ARKANSAS
 El Dorado, Arkansas
 FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
 For the Years Ended December 31, 2023 and 2022**

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**Directors of the Authority
El Dorado Rural Public Water Authority of the State of Arkansas
El Dorado, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the El Dorado Rural Public Water Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed on 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 El Dorado Rural Public Water Authority as of December 31, 2023 and 2022, 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 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 El Dorado Rural Public Water Authority, 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 El Dorado Rural Public Water Authority'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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Directors of the Authority
El Dorado Rural Public Water Authority of the State of Arkansas
El Dorado, Arkansas

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the El Dorado Rural Public Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the El Dorado Rural Public Water Authority'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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Dorado Rural Public Water Authority's basic financial statements. The Supplementary Information Required by the USDA Rural Development is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information Required by the USDA Rural Development 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by the USDA Rural Development is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Directors of the Authority
El Dorado Rural Public Water Authority of the State of Arkansas
El Dorado, Arkansas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the El Dorado Rural Public Water Authority'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 the El Dorado Rural Public Water Authority's internal control over financial reporting and compliance.



Berry & Associates, P.A.
Little Rock, Arkansas
August 30, 2024

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

| <u>ASSETS</u> | | <u>2023</u> | <u>2022</u> |
|--|-----------|--------------------------------|-----------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 5,189 | \$ 21,756 |
| Accounts receivable | | 41,335 | 39,267 |
| RESTRICTED ASSETS | | | |
| Cash and cash equivalents | | 92,066 | 75,731 |
| Total current assets | | <u>138,590</u> | <u>136,754</u> |
| NON-CURRENT ASSETS | | | |
| Capital assets, net of accumulated depreciation | | 3,334,195 | 3,447,941 |
| Security deposits | | 1,200 | 1,200 |
| Total non-current assets | | <u>3,335,395</u> | <u>3,449,141</u> |
| TOTAL ASSETS | \$ | <u><u>3,473,985</u></u> | \$ <u><u>3,585,895</u></u> |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ | 12,120 | \$ 696 |
| Accrued interest payable | | 3,469 | 3,548 |
| Current maturities of long-term debt | | 53,600 | 51,700 |
| Total current liabilities | | <u>69,189</u> | <u>55,944</u> |
| LONG-TERM DEBT, net of current maturities | | <u>2,095,098</u> | <u>2,148,785</u> |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | | |
| Customer water meter deposits | | 44,229 | 42,628 |
| TOTAL LIABILITIES | | <u>2,208,516</u> | <u>2,247,357</u> |
| NET POSITION | | | |
| Net investment in capital assets | | 1,185,497 | 1,247,455 |
| Unrestricted | | 26,844 | 51,638 |
| Temporarily restricted | | 53,128 | 39,445 |
| Total net position | | <u>1,265,469</u> | <u>1,338,538</u> |
| TOTAL LIABILITIES AND NET POSITION | \$ | <u><u>3,473,985</u></u> | \$ <u><u>3,585,895</u></u> |

The accompanying notes to the financial statements are an integral part of these statements

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Sewer revenue | \$ 381,767 | \$ 349,647 |
| Connection fees | 8,685 | 8,530 |
| Late fees | 29,973 | 9,000 |
| Other fees | 3,852 | 5,037 |
| Total operating revenues | 424,277 | 372,214 |
| OPERATING EXPENSES | | |
| Insurance | 1,009 | 982 |
| Wastewater treatment | 103,614 | 86,076 |
| System administration fees | - | 14,671 |
| Depreciation | 113,745 | 113,745 |
| Repairs & maintenance | 116,646 | 91,771 |
| Office expense | 5,291 | 13,076 |
| Professional fees | 8,285 | 4,750 |
| Utilities | 2,059 | 2,360 |
| Dues, licenses, and fees | - | 500 |
| Service connections | 27,344 | 21,932 |
| Miscellaneous | 57,973 | 35,952 |
| Total operating expenses | 435,966 | 385,815 |
| OPERATING LOSS | (11,689) | (13,601) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 45 | 36 |
| Interest expense | (61,425) | (58,674) |
| Net non-operating expenses | (61,380) | (58,638) |
| CHANGE IN NET POSITION | (73,069) | (72,239) |
| NET POSITION - BEGINNING OF YEAR | 1,338,538 | 1,410,777 |
| NET POSITION - END OF YEAR | \$ 1,265,469 | \$ 1,338,538 |

The accompanying notes to the financial statements are an integral part of these statements

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|-------------------|------------------|
| INCREASE (DECREASE) IN CASH AND RESTRICTED CASH: | | |
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 422,209 | \$ 380,141 |
| Cash payments for goods and services | <u>(309,198)</u> | <u>(299,626)</u> |
| Net cash provided by operating activities | <u>113,011</u> | <u>80,515</u> |
| Cash flows from capital and related financing activities: | | |
| Principal payments on long-term debt | (51,787) | (41,162) |
| Interest payments on long-term debt | <u>(61,501)</u> | <u>(58,750)</u> |
| Net cash used by capital and related financing activities | <u>(113,288)</u> | <u>(99,912)</u> |
| Cash flows from investing activities: | | |
| Change in restricted cash | (16,335) | 18,411 |
| Interest income received in cash | 45 | 36 |
| Net cash provided (used) by investing activities | <u>(16,290)</u> | <u>18,447</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (16,567) | (950) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>21,756</u> | <u>22,706</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 5,189</u> | <u>\$ 21,756</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating loss | \$ (11,689) | \$ (13,601) |
| Adjustment to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 113,745 | 113,745 |
| (Increase) / Decrease In: | | |
| Accounts receivable | (2,070) | 2,479 |
| Increase / (Decrease) In: | | |
| Accounts payable | 11,424 | (23,753) |
| Customer meter deposits | <u>1,601</u> | <u>1,645</u> |
| Total adjustments | <u>124,700</u> | <u>94,116</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 113,011</u> | <u>\$ 80,515</u> |

The accompanying notes to the financial statements are an integral part of these statements

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The El Dorado Rural Public Water Authority of the State of Arkansas (the “Authority”) was formed in 2009 as a water authority pursuant to the provisions of Arkansas Code Annotated Section 4-35-101. The purpose of the Authority is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agriculture, domestic, industrial, and community purposes on a mutual basis by residents of a rural area. The authority is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this Authority are accounted for with a separate set of self-balancing accounts that comprise the Authority’s assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Restricted Assets

Certain proceeds of the Authority’s revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Authority are also considered restricted.

Receivables

The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2023 management had determined that no additional accounts needed to be written off. Bad debt expense for the year ended December 31, 2023 was \$0.

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Authority defines capital assets as assets with an estimated useful life in excess of two years and a cost of over \$1,000. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on loans borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to the construction of the facilities.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to unrestricted net assets to the extent such are available and then to restricted net assets.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Temporarily Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted- This component of net position consists of net position that does not meet the definition of "restricted."

Income Taxes

The organization is a political subdivision of the State of Arkansas and is exempt from income taxes.

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the Authority’s name. As of December 31, 2023 and 2022, deposited funds were adequately insured.

NOTE 3 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 is as follows:

| | Balance 12/31/2022 | Additions | Deletions/ Transfers | Balance 12/31/2023 |
|--------------------------------|-----------------------|-----------|-------------------------|-----------------------|
| Office Equipment | \$ 8,236 | \$ - | \$ - | \$ 8,236 |
| Land | 2,000 | - | - | 2,000 |
| Sewer System | 4,549,811 | - | - | 4,549,811 |
| Total | 4,560,047 | \$ - | \$ - | 4,560,047 |
| Less: Accumulated Depreciation | (1,112,106) | | | (1,225,852) |
| Total Capital Assets | \$ 3,447,941 | | | \$ 3,334,195 |

| | Balance 12/31/2021 | Additions | Deletions/ Transfers | Balance 12/31/2022 |
|--------------------------------|-----------------------|-----------|-------------------------|-----------------------|
| Office Equipment | \$ 8,236 | \$ - | \$ - | \$ 8,236 |
| Land | 2,000 | - | - | 2,000 |
| Sewer System | 4,549,811 | - | - | 4,549,811 |
| Total | 4,560,047 | \$ - | \$ - | 4,560,047 |
| Less: Accumulated Depreciation | (998,361) | | | (1,112,106) |
| Total Capital Assets | \$ 3,561,686 | | | \$ 3,447,941 |

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 – RESTRICTED CASH:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for debt service reserves (see Note 5).

The following is a list of the restricted cash at December 31:

| | <u>2023</u> | <u>2022</u> |
|-------------------------|------------------|------------------|
| Customer Meter Deposits | \$ 38,938 | \$ 36,288 |
| Short Lived Assets | 29,004 | 23,173 |
| Debt Service Reserves | <u>24,124</u> | <u>16,270</u> |
| | <u>\$ 92,066</u> | <u>\$ 75,731</u> |

NOTE 5 – LONG-TERM DEBT:

Long-term debt consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Loan 92-01 payable to USDA, waste water revenue loan payable in monthly installments of \$6,527 at 3.25% interest, beginning June 2013 through December 2050. (1) | \$ 1,405,000 | \$ 1,437,095 |
| Loan 92-03 payable to USDA, waste water revenue loan due in monthly installments of \$1,799 at 2.50% interest, beginning March 2015 through November 2052. (2) | 444,043 | 454,390 |
| Arkansas Natural Resources Commission Bond, due in an annual installments of \$24,795, including interest at 5%, beginning June 2023 through June 2042. (3) | <u>299,655</u> | <u>309,000</u> |
| | 2,148,698 | 2,200,485 |
| Less Current Portion | <u>(53,600)</u> | <u>(51,700)</u> |
| Total Long-Term Portion | <u>\$ 2,095,098</u> | <u>\$ 2,148,785</u> |

- (1) The loan has restrictive covenants including the requirement to begin accumulating a debt service reserve in monthly installments of \$653, with a minimum funding requirement of \$78,324, beginning June 2013. The loan also requires funding an asset management reserve for short-lived assets by depositing a sum of \$1,317 monthly, beginning June 2013.
- (2) The loan has restrictive covenants including the requirement to begin accumulating a debt service reserve equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year, with a minimum funding requirement of one annual loan payment, beginning March 2018. The loan also requires funding an asset management reserve for short-lived assets by depositing a sum of \$20,326 annually, beginning March 2018.
- (3) The ANRC bond has restrictive covenants including the requirement to begin accumulating a depreciation fund in monthly installments at a rate no less than 3% of the gross revenue monthly while the bond is outstanding.

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – LONG-TERM DEBT, continued:

The annual maturities of long-term debt payable at December 31, 2023 are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2024 | \$ 53,600 | \$ 59,691 | \$ 113,291 |
| 2025 | 55,400 | 69,307 | 124,707 |
| 2026 | 57,300 | 67,407 | 124,707 |
| 2027 | 59,300 | 65,407 | 124,707 |
| 2028 | 61,400 | 63,307 | 124,707 |
| 2029-2033 | 341,100 | 282,435 | 623,535 |
| 2034-2038 | 405,900 | 217,635 | 623,535 |
| 2039-2048 | 454,500 | 169,035 | 623,535 |
| 2044-2048 | 433,100 | 66,460 | 499,560 |
| 2049-2052 | 227,098 | 14,124 | 241,222 |
| | <u>\$ 2,148,698</u> | <u>\$ 1,074,808</u> | <u>\$ 3,223,506</u> |

Long-term liability activity for the years ended December 31, 2023 and 2022 are as follows:

| | Balance 12/31/2022 | Additions | Retirements | Balance 12/31/2023 | Due Within One Year |
|----------------------|-----------------------|-------------|--------------------|-----------------------|------------------------|
| Bonds Payable | | | | | |
| Loans | \$ 1,891,485 | \$ - | \$ (42,442) | \$ 1,849,043 | \$ 43,800 |
| Revenue Bonds | 309,000 | - | (9,345) | 299,655 | 9,800 |
| | <u>\$ 2,200,485</u> | <u>\$ -</u> | <u>\$ (51,787)</u> | <u>\$ 2,148,698</u> | <u>\$ 53,600</u> |
| | | | | | |
| | Balance 12/31/2021 | Additions | Retirements | Balance 12/31/2022 | Due Within One Year |
| Bonds Payable | | | | | |
| Loans | \$ 1,932,647 | \$ - | \$ (41,162) | \$ 1,891,485 | \$ 51,700 |
| Revenue Bonds | 309,000 | - | - | 309,000 | - |
| | <u>\$ 2,241,647</u> | <u>\$ -</u> | <u>\$ (41,162)</u> | <u>\$ 2,200,485</u> | <u>\$ 51,700</u> |

The Authority has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,148,698 in revenue bonds/loans. Proceeds from the bonds/loans were used for building of the Authority's wastewater systems. Principal and interest on the bonds/loans are payable through 2052, solely from the sewer customer net revenues. Principal and interest paid in the year ended December 31, 2023 were \$51,787 and \$61,501, respectively. Principal and interest paid in the year ended December 31, 2022 were \$41,162 and \$58,750, respectively.

NOTE 6 – SUBSEQUENT EVENTS:

Events have been evaluated through August 30, 2024 the date the financial statements were available to be issued, and management determined that no additional disclosures were required.

SUPPLEMENTARY INFORMATION



American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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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

**Directors of the Authority
El Dorado Rural Public Water Authority of the State of Arkansas
El Dorado, Arkansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the El Dorado Rural Public Water Authority, Arkansas, (the "Authority") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 in 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

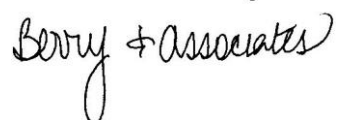
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-002.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Berry & Associates, P.A.
Little Rock, Arkansas
August 30, 2024

EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2023

2023-001 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2022.

Cause: The Authority's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the Board of Directors should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View of Responsible Officials: The Authority concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Authority has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

2023-002 Compliance –Debt Covenants

Criteria: The Authority was not in compliance with the revenue bond agreement established by Arkansas Natural Resources Commission and USDA Rural Development.

Condition: Loan 92-03 with the USDA Rural Development requires a debt service reserve to be accumulated in monthly installments of \$180, until \$21,588 is reached, along with a short-lived asset reserve for the life of the bond to be accumulated in monthly installments of \$1,694. Loan 92-01 with the USDA Rural Development requires a debt service reserve to be accumulated in monthly installments of \$653, until \$78,324 is reached, along with a short-lived asset reserve for the life of the bond to be accumulated in monthly installments of \$1,317. Loan 00862-WSSW-D with the Arkansas Natural Resources Commission requires a depreciation reserve to be accumulated at a rate of 3% of the gross revenue monthly while the bond is outstanding. This finding was also noted in 2022.

Cause: The Authority has not been making required monthly transfers to the depreciation and debt service reserve accounts.

Effect or Potential Effect: Without having the proper reserve accounts, the Authority risks having the ability to pay for any major repair.

Recommendation: We recommend that the Authority start making the required monthly transfers to the depreciation and debt service accounts.

View of Responsible Officials: The Authority concurs with the recommendation.

**EL DORADO RURAL PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
For The Year Ended December 31, 2023**

SCHEDULE OF SEWER RATES:

| <u>Sewer Rates:</u> | Per Thousand Gallons |
|---|-------------------------|
| First 1,000 Gallons (minimum) | \$ 49.00 |
| Next 3,000 Gallons (for each add'l 1,000) | 8.00 |
| Over 4,000 Gallons (for each add'l 1,000) | 3.35 |

The Authority provides sewer service only.

BOARD OF DIRECTORS:

| Name | Title |
|----------------|---------------------|
| E.J. Daugherty | President |
| James Wooten | Vice President |
| Susan Dumas | Secretary/Treasurer |
| Bill Gaunt | Board Member |
| Clyde Stookey | Board Member |
| Mike Meadows | Board Member |

INSURANCE SCHEDULE:

| <u>POLICY NO.</u> <u>PREMIUM</u> | <u>INSURANCE</u> <u>COMPANY</u> | <u>COVERAGE</u> | |
|-------------------------------------|------------------------------------|-----------------|--------------|
| 4TCO3209M919IND11 | Travelers | Liability | \$ 1,000,000 |
| BA3209M91911CNS | Travelers | Vehicle | \$ 1,000,000 |
| 4TSMCUP3209M9191ND11 | Travelers | Property | \$ 5,000,000 |

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are not being properly maintained.