

**GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY**

Financial Statements

Year Ended December 31, 2023



ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY

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ELLIS, TUCKER & ALDRIDGE, LLP

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INDEPENDENT AUDITOR'S REPORT

Members of the Public Water Authority Board
Grand Prairie Bayou Two Public Water Authority
Austin, Arkansas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Grand Prairie Bayou Two Public Water Authority as of, and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Public Water Authority'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 Grand Prairie Bayou Two Public Water Authority, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Grand Prairie Bayou Two 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 opinions.

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 Grand Prairie Bayou Two 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 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 Grand Prairie Bayou Two 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Prairie Bayou Two 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 December 11, 2024, on our consideration of the Grand Prairie Bayou Two 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 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 Grand Prairie Bayou Two Public Water Authority'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 Grand Prairie Bayou Two Public Water Authority's internal control over financial reporting and compliance.

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas
December 11, 2024

**GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY**

11177 Arkansas Hwy 31 North
Austin, Arkansas 72007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2023

Introduction

As financial management of Grand Prairie Bayou Two Public Water Authority ("GPBT") , we offer readers of these financial statements this narrative overview and analysis of the financial activities of GPBT, for the fiscal year ended December 31, 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Operating revenues for GPBT were \$2,758,146 for the year ended December 31, 2023. The income from operations produced an increase in net position of 95,889. The term "net position" is the difference between (a) assets and and deferred out flows of resources and (b) liabilities and deferred inflows of resources. At the close of the fiscal year 2023, GPBT, had a net position of \$17,775,999, an increase of 2.36% over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Grand Prairie Bayou Two Public Water Authority's financial statements, which is comprised of the financial statements and the notes to the financial statements. Since GPBT is comprised of a single proprietary fund, no fund level financial statements are shown.

Financial Statements - The financial statements are designed to provide readers with a broad overview of Grand Prairie Bayou Two Public Water Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of GPBT's (a) assets and deferred outflows or resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as useful indicator of whether the financial position of GPBT is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates financial improvement.

Grand Prairie Bayou Two Public Water Authority
Management's Discussion and Analysis (Continued)

The statement of revenues, expenses and changes in net position presents information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash receipts and disbursements in future fiscal periods, for example, accounts receivable outstanding at year end will be collected in the following year and accounts payable outstanding at year end will be paid in the following year.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial condition. In the case of GPBT, assets exceeded liabilities by \$17,775,999 at the close of the most recent fiscal year. This represents an increase of \$410,100 over the previous year, of which \$95,889 is attributable to operations, while net position increased \$220,030 due to nonoperating revenues and expenses. Contributions in aid of construction totaled \$94,181. The unrestricted net position component was \$5,251,819.

The largest portion of GPBT's net position reflects its investment in capital assets (e.g., water treatment, wastewater treatment, storage, collection and distribution facilities, etc.) less any related outstanding debt used to acquire those assets. GPBT uses these capital assets to provide services and consequently, these assets are not available to liquidate liabilities or use for other spending.

Grand Prairie Bayou Two Public Water Authority
Management's Discussion and Analysis (Continued)

A condensed summary of GPBT's net position as of December 31, 2022 and December 31, 2023, is provided below:

	2023	2022
Current and Non-Current Assets	\$ 5,861,093	\$ 5,901,511
Capital Assets	12,524,180	12,350,784
Total Assets	<u>\$ 18,385,273</u>	<u>\$ 18,252,295</u>
Current Liabilities	\$ 195,075	\$ 484,687
Non-Current Liabilities	414,199	401,709
Total Liabilities	<u>\$ 609,274</u>	<u>\$ 886,396</u>
Net Position		
Investment in Capital Assets	\$ 12,524,180	\$ 12,350,784
Unrestricted	5,251,819	5,015,115
Total Net Position	<u>\$ 17,775,999</u>	<u>\$ 17,365,899</u>

A condensed summary of GPBT's changes in net position for the years ended December 31, 2022 and December 31, 2023, is provided below:

	2023	2022
Operating Revenues	\$ 2,758,146	\$ 2,574,837
Operating Expenses	2,662,257	2,429,526
Income (Loss) from Operations	<u>\$ 95,889</u>	<u>\$ 145,311</u>
Nonoperating Revenues (Expenses)		
Gain(Loss) on Disposal of Capital Assets	\$ 0	\$ 43,787
Unrealized Gain(Loss) on Certificates of Deposit	110,271	(209,981)
Grants	0	202,208
Investment Income	109,759	61,004
Net Nonoperating Revenues (Expenses)	<u>\$ 220,030</u>	<u>\$ 97,018</u>
Income (Loss) before Contributions	\$ 315,919	\$ 242,329
Contributions in Aid of Construction	94,181	228,266
Increase (Decrease) in Net Position	<u>\$ 410,100</u>	<u>\$ 470,595</u>
Net Position, Beginning of Year	<u>17,365,899</u>	<u>16,895,304</u>
Net Position, End of Year	<u>\$ 17,775,999</u>	<u>\$ 17,365,899</u>

Grand Prairie Bayou Two Public Water Authority
Management's Discussion and Analysis (Continued)

Significant Events- GPBT continued line extensions and upgrades and had some meter change outs for 2023. Effective March 1, 2022 GPBT will no longer employ a descending rate structure. Water rates will be structured on just one rate above minimum at \$3.90 per thousand.

Cash Flows- Net cash provided by operating activities was \$ 353,690. Net cash used by capital and related financing activities was \$633,381. Net cash provided by investing activities was \$114,506.

Capital Assets and Debt Administration

Capital Assets- GPBT's investment in capital assets amounted to \$12,524,180, net of accumulated depreciation, as of December 31, 2023, and increase of \$173,396 compared to the prior year. Capital Assets include the water system, buildings, vehicles, and office furniture and equipment. Major capital asset events included the continuation of system improvements to the water distribution system.

Long- Term Debt - There is no outstanding long-term debt.

Requests for Information

This financial report is designed to provide a general overview of Grand Prairie Bayou Two Public Water Authority's finances for all those with an interest in its finances. Questions concerning any of the the information provided in this report or request for additional financial information should be addressed to the General Manager, Grand Prairie Bayou Two Public Water Authority, 11177 AR Hwy 31 N, Austin, AR 72007.

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 786,163	
Certificates of Deposit Maturing After Three Months	4,660,289	
Total Cash and CDs	\$ 5,446,452	
Accounts Receivable-Net	181,440	
Earned and Unbilled Revenues	100,986	
Other Receivables	14,478	
Accrued Interest Income	20,876	
Prepaid Expenses	61,828	
Inventory	31,271	
		\$ 5,857,331

Noncurrent Assets

ROU Assets	\$ 2,564	
Utility Deposits	1,198	
		3,762

Capital Assets

Water Distribution System	\$ 12,923,254	
Treatment Plant	2,219,101	
Wells and Roads to Well Sites	1,049,498	
Wastewater Treatment System	1,981,845	
Transportation Equipment	223,135	
Office Building	570,483	
Shop Building	68,627	
Generator Building	29,217	
Office Furniture and Equipment	456,966	
	\$ 19,522,126	
Less: Accumulated Depreciation	(8,875,463)	
	\$ 10,646,663	
Land	313,750	
Water Storage/Use Rights	954,352	
Construction in Progress	609,415	
		12,524,180
Total Assets		\$ 18,385,273

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2023

LIABILITIES

Current Liabilities

Accounts Payable	\$	119,685	
Payroll Taxes Payable		4,732	
Accrued Wages Payable		55,018	
Sales Tax Payable		13,049	
Lease Liability		2,564	
Due to Employees		<u>27</u>	
	\$		195,075

Noncurrent Liabilities

Customer Meter Deposits	\$	414,199	
			<u>414,199</u>

Total Liabilities	\$	<u>609,274</u>
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NET POSITION

Invested in Capital Assets - Net of Related Debt	\$	12,524,180	
Unrestricted		<u>5,251,819</u>	
Total Net Position	\$		<u><u>17,775,999</u></u>

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2023

Operating Revenues

Water/Wastewater Revenue	\$ 2,247,697	
Services Fees and Other Income	123,996	
Hook Up Fees	73,650	
Certificate of Occupancy	10,800	
Lonoke/White PWA Surcharge	<u>302,003</u>	
		\$ 2,758,146

Operating Expenses

Purchase of Water	\$ 141,445	
Salaries	582,065	
Retirement Plan Contribution	16,462	
Utilities	118,874	
Chemicals	25,733	
Lonoke/White PWA Required Payments	303,000	
Repairs	329,137	
Contract Labor	200	
Hook Up Costs	165,519	
Occupancy Inspection	7,000	
Small Tools and Operating Supplies	24,640	
Telephone	12,831	
Office Supplies and Postage	78,920	
Insurance	45,154	
Professional Fees	39,535	
Licenses and Fees	29,204	
Travel-Lodging and Meals	22,036	
Education and Training	2,155	
Uncollectible Accounts	10,653	
Bank Charges	826	
Taxes-Payroll	43,722	
Employee Health Insurance	61,830	
Vehicle-Gas Expense	32,867	
Lawn Care	4,348	
Miscellaneous	9,935	
Depreciation	<u>554,166</u>	
		<u>2,662,257</u>

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2023

<u>Income (Loss) from Operations</u>		\$	95,889
<u>Nonoperating Revenues and Expenses</u>			
Unrealized Gain/(loss) on Certificates of Deposit	\$	110,271	
Investment Income		<u>109,759</u>	
			<u>220,030</u>
<u>Income (Loss) before Contributions and Extraordinary Items</u>		\$	315,919
<u>Contributions</u>			
Contributions in Aid of Construction	\$	<u>94,181</u>	
			<u>94,181</u>
<u>Increase (Decrease) in Net Position</u>		\$	410,100
<u>Total Net Position, Beginning of Year</u>			<u>17,365,899</u>
<u>Total Net Position, End of Year</u>		\$	<u>17,775,999</u>

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2023

Cash Flows from Operating Activities

Cash Received from Customers	\$ 2,742,413
Payments to Suppliers	(1,811,629)
Payments to Employees	(577,094)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 353,690</u>

Cash Flows from Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	\$ (633,381)
Sale of Capital Assets	0
<u>Net Cash Provided (Used) by Capital</u> <u>and Related Financing Activities</u>	<u>\$ (633,381)</u>

Cash Flows from Investing Activities

Investment Income Received	\$ 99,452
Increase in Customer Meter Deposits	15,054
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>\$ 114,506</u>

Net Increase (Decrease) in Cash and Cash Equivalents \$ (165,185)

Cash and Cash Equivalents, Beginning of Year 951,348

Cash and Cash Equivalents, End of Year \$ 786,163

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2023

Reconciliation of Income (Loss) from Operations
to Net Cash Provided (Used) by Operating Activities

<u>Income (Loss) from Operations</u>	\$ 95,889
<u>Adjustments to Reconcile Income (Loss) from Operations</u> <u>to Net Cash Provided (Used) by Operating Activities</u>	
Depreciation	\$ 554,166
(Increase) Decrease in:	
Accounts Receivable-Net	(15,254)
Revenues Earned and Unbilled	10,174
Prepaid Expenses	(7,319)
Inventory	5,548
Increase (Decrease) in:	
Accounts Payable	(296,781)
Payroll Taxes Payable	538
Accrued Wages Payable	4,971
Sales Tax Payable	1,758
Total Adjustments	\$ 257,801
<u>Net Cash Provided (Used) by Operating Activities</u>	\$ 353,690

Non-Cash Capital and Related Financing Activities

During the current year, system improvements totaling \$94,181 were paid for and contributed in aid of construction.

See Notes to Financial Statements

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note A - Significant Accounting Policies

(1) Financial Reporting Entity

On August 22, 2012, Grand Prairie Bayou Two Public Water Authority was formed under the Domestic Public Water Authority Act of 2001 to own and operate water and wastewater treatment plants and water distribution facilities in northern Lonoke County, Arkansas. On March 13, 2014, Grand Prairie/Bayou Two Public Facilities Board of Lonoke County, Arkansas passed Resolution No. 03-14-1 authorizing the transfer of the assets and liabilities of Grand Prairie/Bayou Two Public Facilities Board of Lonoke County, Arkansas to the Public Water Authority. Resolution No. 03-14-3 was passed on the same day by the Public Water Authority accepting the transfer of the assets and liabilities of Grand Prairie/Bayou Two Public Facilities Board of Lonoke County, Arkansas. The Public Water Authority is a governmental unit separate from the general government of the State of Arkansas.

(2) Proprietary Fund

The Public Water Authority's operations are accounted for as a proprietary fund. Proprietary funds are used to account for operations that are (a) 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 and services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Income, gains, expenses and losses not related to providing goods and services are considered nonoperating.

(3) Basis of Accounting

The Public Water Authority's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, rather than when they are received, and expenses are recognized when they are incurred, rather than when they are paid.

(4) Capitalization of Construction Period Interest

Interest incurred to construct the initial water treatment plant and water distribution system, and to expand the system has been capitalized and amortized over 45 years using the straight-line method. Investment income on the portion of bonds issued for construction has been used to reduce the amount of interest capitalized.

(5) Inventory

Inventory consists of materials used in the installation of new water service and for repairs. These are valued at cost by applying the first-in, first-out method and are reported at the lower of cost and net realizable value.

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

(6) Cash and Cash Equivalents

The Public Water Authority considers investments (excluding any bond and debt service funds) with an original maturity of three months or less when purchased to be cash equivalents.

(7) Deposits with Financial Institutions and Investments

Arkansas law requires all public funds to be deposited into banks located in the State of Arkansas (A.C.A. 19-8-104). However, public funds may be invested in an eligible bank if the bank arranges for the deposit of all or a portion of the funds in banks or savings and loan associations located in the United States for the account of the government entity responsible for the public funds and each deposit and interest accrued of the deposit is insured by the Federal Deposit Insurance Corporation (FDIC) (A.C.A. 19-8-111).

Arkansas law (A.C.A. 19-1-501) restricts eligible investment securities to (1) direct or guaranteed obligations of the United States, (2) direct obligations of certain entities created by the act of the United States Congress and authorized to issue securities, and (3) state or local bonds rated A or better issued for an essential governmental purpose and guaranteed by a state agency. Eligible investments must have a maturity of not longer than five years from the date of acquisition unless the investment is to fund or support a specific purpose and there are no expectations that this investment will be sold before maturity.

(8) Capital Assets

Property and equipment are recorded at cost and capitalized. Depreciation is provided by applying the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciating office furniture and equipment and transportation equipment are 5-7 years, for equipment 7 years, for buildings 40 years and for the treatment and distribution system 20-50 years.

(9) Use of Estimates

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

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note B - Cash, Certificates of Deposit, and Restricted Funds

Deposits with Centennial Bank exceed FDIC coverage by \$427,987. Securities have been pledged by the bank to cover the excess deposits. In accordance with A.C.A. 19-504(d), Crews and Associates is the custodian of the CDs invested outside of Arkansas. First Security Bank has agreed to grant unto Crews and Associates, as Grand Prairie Bayou Two Public Water Authority's agent and custodian a Pledge and Security Agreement by which First Security Bank grants unto Crews and Associates as Grand Prairie Bayou Two Public Water Authority's agent and custodian security interest in marketable securities having a market value equal to 120% of the sum of all deposits in the account, from time to time, in excess of \$250,000.

	<u>Cash</u>	<u>Certificates of Deposit</u>
Petty Cash and Change Funds	\$ 2,428	
Centennial Bank-Cabot, AR		
Operations and Maintenance	\$ 471,336	
Meter Deposit Refund	14,255	
Gross Receipts (Dividend)	25,426	
Lonoke/White Account	156,278	
Wastewater	10,692	
	<u>\$ 677,987</u>	
Crews & Associates-Little Rock, AR		
Money Market Account	<u>\$ 105,748</u>	
CDs - Bank/Maturity Date/Interest Rate		
American Expreess - 4/8/24 2.20%		\$ 250,000
Key Bank Natl - 3/4/25 5.00%		250,000
New York Comm. - 07/01/24 0.40%		250,000
Synchrony BK 5/20/25 3.10%		250,000
Charles Schwab - 3/6/24 5.00%		250,000
TTCU Fed Cr Union - 7/28/25 5.55%		250,000
Morgan Stanley 6/16/25 2.95%		250,000
Medallion Bank - 07/22/24 0.40%		250,000
Academy Bank - 07/29/24 0.40%		250,000
Goldman Sachs - 07/29/24 0.50%		250,000
Banker's Bank KS - 07/30/24 0.45%		250,000
TCM Bank - 07/30/24 0.50%		250,000
Texas Exchange - 07/30/24 0.50%		250,000
Banesco USA - 6/15/26 5.10%		250,000
Toyota Financial - 08/05/24 0.55%		250,000
State Bank - 09/17/24 0.65%		250,000

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Capital One - 11/18/24 0.70%	250,000
Sallie Mae BK 6/16/25 3.10%	250,000
Midwest Bank CNT 9/26/25 4.00%	40,000
Bankunited Natl - 12/09/24 0.95%	220,000
CD Market Value	-99,711
	<u>\$ 4,660,289</u>

\$ 786,163	<u>\$ 4,660,289</u>
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Note C - Accounts Receivable

The total accounts receivable have been reduced by \$4,494 which is an estimate of the potential doubtful accounts.

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note D - Capital Assets

Capital assets are summarized as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Property and Equipment (Depreciable):				
Water Distribution System	\$ 12,695,027	\$ 228,227	\$ -	\$ 12,923,254
Treatment Plant	2,219,101	-	-	2,219,101
Wells & Roads to Well Sites	1,031,232	18,266	-	1,049,498
Wastewater Treatment System	1,901,586	80,259	-	1,981,845
Transportation Equipment	223,135	-	-	223,135
Office Building	569,983	500	-	570,483
Shop Building	68,627	-	-	68,627
Generator Building	29,217	-	-	29,217
Office Furniture and Equipment	<u>434,679</u>	<u>22,287</u>	<u>-</u>	<u>456,966</u>
	\$19,172,587	\$ 349,539	\$ -	\$ 19,522,126
Less Accumulated Depreciation	<u>(8,321,297)</u>	<u>(554,166)</u>	<u>-</u>	<u>(8,875,463)</u>
	\$10,851,290	\$ (203,627)	\$ -	\$ 10,646,663
Property & Equipment (Non-Depreciable):				
Land	313,750	-	-	313,750
Water Storage/Use Rights	954,352	-	-	954,352
Construction in Progress	<u>231,392</u>	<u>378,023</u>	<u>-</u>	<u>609,415</u>
Total Capital Assets	<u>\$12,350,784</u>	<u>\$ 174,396</u>	<u>\$ -</u>	<u>\$ 12,524,180</u>

GRAND PRAIRIE BAYOU TWO
PUBLIC WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note E - Retirement Plan

In 1998, the prior entity adopted a salary deferral plan covering full-time employees who have completed one year of service and are age twenty-one or older. Participants may elect to contribute up to 15% of their annual wages on an after-tax basis. The employer will match 50% of the participants' contributions. However, the employer's matching contribution for each participant will not exceed 3% of the participant's compensation. In addition to the employer's matching contributions, the employer may make an additional discretionary contribution. The Board authorized a \$4,000 discretionary contribution for the current year.

Note F - Contributions in Aid of Construction

Real estate developers requesting water be supplied to their projects are required to pay the costs of extending the water lines and transfer ownership of the lines to the Public Water Authority. Developers requesting wastewater services for their project are required to pay the costs of the septic system and wastewater lines and transfer ownership to the Public Water Authority. These costs have been capitalized by the Public Water Authority and depreciated over their estimated useful lives. The costs paid by the developers are considered a contribution to the Public Water Authority and are not recognized as operating revenues.

Note G - Water Storage/Use Rights

On September 10, 2009, Grand Prairie/Bayou Two Public Facilities Board of Lonoke County, Arkansas (prior entity) entered into an agreement with Mid-Arkansas Water Alliance (MAWA) to purchase an undivided interest in the joint-storage space reserved to MAWA by the United States of America in Greers Ferry Lake. This interest was transferred to Grand Prairie Bayou Two Public Water Authority on March 31, 2014. On May 19, 2020 the Public Water Authority purchased an additional storage allocation from MAWA in the amount of 1.85 million gallons per day for \$578,858. The Public Water Authority's share in the storage allocation is 3.46448 million gallons per day. The cost of the Public Water Authority's membership share is \$954,352 and is recorded as a capital asset. The Public Water Authority is still responsible for its proportional share of the variable operation and maintenance costs related to the storage. These operation and maintenance costs are expensed as incurred.

GRAND PRAIRIE BAYOU TWO
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December 31, 2023

Note H - Water Source

The Public Water Authority obtains water from its local wells, and is under contract with Lonoke/White Public Water Authority to purchase a minimum of 250,000 gallons per day of water stored in Greers Ferry Lake at certain wholesale rates. The Public Water Authority purchased 100,614,937 gallons from Lonoke/White Public Water Authority during the year.

Note I - Leases

The Public Water Authority entered into a lease agreement with Mail Finance on December 13, 2019, for the lease of an automated folding system. The lease is for 60 months beginning January 1, 2020 and ending January 1, 2025. Where the implicit interest rate of the lessor was unknown, the Public Water Authority elected to use the national average borrowing rate of 3.79% for the year the lease began. The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2023.

Operating lease right-of-use asset	\$	<u>2564</u>
Current portion of operating lease liability	\$	2564
Operation lease liability, less current portion		<u>0</u>
Total operation lease liability	\$	<u>2564</u>

The lease expense totaled \$3,088 for the year ended December 31, 2023 and is included in the office supplies and postage line item. The maturity of the operating lease liability is as follows:

Total remaining lease payments (Present-2025)	\$	3088
Less: Interest		<u>524</u>
Present value of lease liabilities	\$	<u>2564</u>

Note J - Date of Management's Review

Subsequent events have been evaluated through December 11, 2024, which is the date the financial statements were available to be issued.



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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*

Members of the Public Water Authority
Grand Prairie Bayou Two Public Water Authority
Austin, 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 Grand Prairie Bayou Two Public Water Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Grand Prairie Bayou Two Public Water Authority's basic financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grand Prairie Bayou Two Public Water 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 Grand Prairie Bayou Two Public Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand Prairie Bayou Two Public Water Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Prairie Bayou Two Public Water Authority'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas
December 11, 2024