

NORTHEAST PUBLIC WATER AUTHORITY
66 FLORENCE DRIVE
MOUNTAIN HOME, AR 72653
(870) 492-4211

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

BRIAN L. HAAS
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NORTHEAST PUBLIC WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast Public Water Authority
66 Florence Drive
Mountain Home, AR 72653

Opinions

Opinion

I have audited the accompanying financial statements of Northeast Public Water Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Public Water Authority, as of December 31, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Northeast Public Water Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 principals 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 Northeast 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 Responsibility for the Audit of the Financial Statements

My 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 my 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 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, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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.

I am 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 I 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 - 8 and 28 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Public Water Authority's basic financial statements. The Schedule of Other Revenue, Schedule of Employee Benefits, Schedule of Purchased Services, Schedule of Supplies and Other Expenses, Board of Directors, Insurance Coverage, Water Rate schedule and Users by Class are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, I have also issued my report dated September 27, 2024, on my consideration of Northeast Public Water Authority's internal control over financial reporting and on my 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 my 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 Northeast Public Water Authority's internal control over financial reporting and compliance.



Brian Haas, CPA
Mountain Home, AR 72653

November 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Northeast Public Water Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the Authority's financial statements, which follow this section.

The Northeast Public Water Authority's financial statements consist of only one proprietary fund. The Board operates a water utility for customers (water users) on a fee for services and related costs basis. The Board is a non-profit entity which was formerly known as Northeast Water Association. The former entity was reorganized into a water board according to Arkansas law effective January 1, 2004.

FINANCIAL HIGHLIGHTS

As of December 31, 2023:

- The Authority's assets exceeded its liabilities by \$1,673,077 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,685,938.
- Total net assets are comprised of the following:

Capital assets, net of related debt of \$1,274,686 including property and equipment net of accumulated depreciation.
- Net assets of \$127,789 are restricted by constraints imposed by outside the Authority, such as debt covenants, grantors, laws or regulations.
- Unrestricted net assets of \$270,603 represent the portion available to maintain ongoing operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The Authority's annual audit report includes three major financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses accrual basis accounting as in the private sector.
- The first of these statements is the Statement of Net Assets. This is the Authority's statement of financial position presenting information that includes all of the Authority's assets and liabilities with the difference reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating.
- The second statement is the Statement of Activities that reports how the Authority's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the effectiveness of Authority rate structure and related revenues to

adequately cover the operational costs of providing water services to the Authority's membership.

- The third major statement is the Statement of Cash Flows. This statement presents cash flows provided by operations, investing and financing on a net change basis.

REQUIRED FINANCIAL STATEMENTS

- The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority's creditors (liabilities). These also provide the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.
- All of the prior years' and current year's revenues and expenses are accounted for in the Statements of Activities and Changes in Net Assets. These statements measure the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.
- The final required financial statement is the Statement of Cash Flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provide 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 periods.

FINANCIAL ANALYSIS OF THE AUTHORITY

- The Authority's net assets increases \$35,489 for operations and a decrease of \$48,347 non-operating. Total revenues were up from 2022 by \$36,352. Total operating expenses were up from 2022 by \$113,723; \$1,376,081 compared to \$1,262,358 in 2022.

NET ASSETS

- To begin our analysis, a summary of the Authority's Statements of Net Assets are presented in Table A-1.

Table A-1
The Authority's Net Assets
December 31, 2023

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 422,178	\$ 368,485
Capital and non-current assets	<u>3,224,226</u>	<u>3,358,358</u>
Total assets	3,646,404	3,726,843
Current liabilities	151,741	172,397
Long-term liabilities	<u>1,821,586</u>	<u>1,868,508</u>
Total liabilities	<u>1,973,327</u>	<u>2,040,905</u>
Net assets	<u>\$1,673,077</u>	<u>\$1,685,938</u>
Invested in capital assets net of related debt	\$1,274,686	\$1,218,907
Restricted	127,789	235,534
Unrestricted	<u>270,603</u>	<u>231,497</u>
Total net assets	<u>\$1,673,077</u>	<u>\$1,685,938</u>

The Authority's net assets decreased by \$12,861 under 2022. Additional information regarding capital assets is available in the Notes to the Basic Financial Statements.

A portion of the net assets is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net assets may be used to fund the Authority programs in the next fiscal year. However, this does not mean that the Authority has a significant surplus of resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are less than currently available resources. The balance has remained similar to the prior years.

BUDGETARY HIGHLIGHTS

For 2023, the Authority's revenues were more than budgeted estimates by \$81,173. Total operating expenses were approximately \$98,806 over budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

- Capital Assets

At the end of 2023, the Authority had invested \$5,896,734 in a broad range of assets, including land, water distribution system, equipment and vehicles.

This was a \$16,045 decrease from 2022 Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements.

Land	\$	18,910
Building		160,644
Water tanks		558,273
Distribution system		4,678,484
Furniture and fixtures		11,901
Equipment		191,949
Trucks		119,599
Roadways		15,616
Telemetry equipment		96,557
Computer & office machine		32,529
Construction in progress		<u>12,273</u>
		5,896,734
Total accumulated depreciation		<u>(2,937,593)</u>
		2,959,140
Loan Fees		23,793
Total accumulated amortization		<u>(3,040)</u>
		20,753
Net capital assets	\$	<u><u>2,979,893</u></u>

- Debt Administration

At the end of 2023, the Authority's long-term debt consisted of the following:

Note Payable Bank	1,127,431
USDA	<u>666,492</u>
Total long-term debt	<u><u>\$ 1,793,923</u></u>

More information about the Authority's debt is presented in the Notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Northeast Public Water Authority had all tanks visually inspected.
- Northeast Public Water Authority installed the following:
 - 150 feet of 2 inch PVC on Greenview Dr
 - 250 feet of 8 inch PVC for Discount Tire
 - 140 feet of 2 inch PVC at 358 Buzzard Roost Rd
 - One 2 inch meter for AmericInn Hotel
 - One 2 inch meter at Whispering Woods RV Park
 - Ten 3/4 inch meters
 - Four 1 inch meters
- Northeast Public Water Authority replaced the following:
 - 250 3/4 inch meters
 - 23 1 inch meters
 - One 2 inch meter at Walmart
 - 46 meter radios
- Utility service performed a washout and disinfection at Tank #2.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

- This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Authority's manager at:

66 Florence Drive
Mountain Home, Arkansas 72653

Phone number: (870) 492-4211

NORTHEAST PUBLIC WATER AUTHORITY

STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 137,163
Assets whose use is limited - required for current liabilities (Note 2)	88,716
Customer accounts receivable	132,910
Inventory	42,628
Prepaid insurance	24,133
Other	<u>(3,371)</u>

TOTAL CURRENT ASSETS 422,178

Assets whose use is limited (Note 2)	332,883
Less assets whose use is limited that are required for current liabilities	<u>(88,716)</u>

NON-CURRENT ASSETS WHOSE USE IS LIMITED 244,167

Utility plant in service, less accumulated depreciation of \$2,937,593 and accumulated amortization of \$3,040 in 2023 (Notes 1 and 3)	2,979,893
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Other assets	<u>165</u>
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TOTAL ASSETS \$ 3,646,404

NORTHEAST PUBLIC WATER AUTHORITY

STATEMENT OF FINANCIAL POSITION

December 31, 2023

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current installment of long-term debt (Note 4)	\$ 88,716
Accounts payable	54,621
Accrued payroll taxes payable	2,227
Accrued sales tax payable	-
Accrued interest payable	-
Safe water act fee	1,748
Other current liabilities	4,429

TOTAL CURRENT LIABILITIES 151,741

Long-term debt, net of current maturities (Note 4) 1,705,207

OTHER LIABILITIES:

Meter deposits payable	116,350
Meter deposit interest payable	-
Undeliverable meter deposits	29

TOTAL OTHER LIABILITIES 116,379

TOTAL LIABILITIES 1,973,327

NET ASSETS:

Invested in capital assets net of depreciation and related debt	1,274,686
Temporarily restricted	127,789
Unrestricted	270,603

TOTAL NET ASSETS 1,673,077

TOTAL LIABILITIES AND NET ASSETS \$ 3,646,404

See accompanying notes to financial statements.

NORTHEAST PUBLIC WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUE:	
Water revenue	\$ 1,352,094
Other revenue	<u>59,477</u>
TOTAL REVENUE	1,411,571
OPERATING EXPENSES:	
Salaries	280,107
Employee benefits	124,903
Purchased services	597,485
Supplies and other expenses	246,160
Bad debt expense	1,070
Depreciation & Amortization Expense	<u>126,359</u>
TOTAL OPERATING EXPENSE	<u>1,376,081</u>
Excess of revenue over expense from operations	<u>35,489</u>
NON-OPERATING REVENUE (EXPENSE):	
Interest income	3,052
Interest expense	(53,657)
Discounts	2,136
Miscellaneous	122
Insurance proceeds	<u>-</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(48,347)</u>
Income (loss) before capital contributions	(12,857)
Capital contributions	-
Capital from grant contributions	<u>-</u>
Change in net assets	(12,857)
NET ASSETS AS OF BEGINNING OF YEAR	<u>1,685,935</u>
NET ASSETS AS OF END OF YEAR	<u><u>1,673,077</u></u>

See accompanying notes to financial statements.

NORTHEAST PUBLIC WATER AUTHORITY

STATEMENT OF CASH FLOWS -
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,387,213
Cash payments to suppliers for goods and services	(942,287)
Cash payments for employees' services and payroll taxes	<u>(301,543)</u>
Net cash provided (used) by operating activities	<u>2,631,043</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received from (transferred to) restricted assets	25,055
Cash received from meter deposits, net of refunds	3,140
Cash received from miscellaneous income	122
Cash provided by discounts	<u>2,136</u>
Net cash (used) by non-capital financing activities	<u>30,453</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Cash used to reduce bonds payable	(82,435)
Cash received for interest income	3,052
Cash used for interest expense	(53,657)
Cash provided by borrowing	<u>0</u>
Net cash provided by (used) by capital financing activities	<u>(133,040)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash used to purchase property and equipment	<u>(11,026)</u>
Net cash flows provided by (used by) investing activities	<u>(11,026)</u>

Net increase (decrease) in cash and cash equivalents	<u>29,770</u>
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Cash and cash equivalents at beginning of year	<u>107,393</u>
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Cash and cash equivalents at end of year	<u><u>\$ 137,163</u></u>
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NORTHEAST PUBLIC WATER AUTHORITY

STATEMENT OF CASH FLOWS -
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 35,490
Depreciation expense	126,359
Changes in:	
Accounts receivable	(24,358)
Prepaid expense	(511)
Accounts payable	(3,592)
Payroll taxes payable	(82)
Sales tax payable	0
Inventory	3,358
Other	0
Water district fee	<u>6,719</u>

Net cash provided by operating activities 143,383

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

0

\$ 143,383

See accompanying notes to financial statements.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

ORGANIZATION

The company is organized under Arkansas law as a public water authority as a body politic, a non-corporate entity.

BASIS OF ACCOUNTING

The Authority recognized revenues and expenses under the accrual method of accounting. Revenues are recognized when earned and expenses in the period incurred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by Board designation or other payers.

INVENTORIES

Inventories were counted and priced at lower of cost (first-in, first-out) or market.

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.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment assets include land, buildings, improvements, equipment and water and sewer system infrastructure. Purchased property, plant and equipment assets are recorded at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets. The lives can range from 5 years for tangible personal property up to 25 years on infrastructure assets. The capitalization policy is \$250 on equipment and \$2,000 on improvements and other assets.

The costs of assets retired from service are credited to the appropriate property, plant, and equipment account and costs of removal are charged to operations in the year incurred.

Maintenance, repairs, and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

PROPERTY, PLANT, AND EQUIPMENT (continued)

Property, plant, and equipment are stated at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets.

Depreciation expense for the year ended December 31, 2023 was \$126,359

	Capital assets, depreciated					Capital assets not depreciated	
	Land rights	System & improve.	Machinery & equipment	Vehicles	Buildings	Construction in progress	Total
Balance, December 31, 2022	\$ 18,910	\$ 5,232,551	\$ 332,142	\$ 119,599	\$ 174,869	\$ 10,879	\$ 5,888,950
Additions		4,205	793		4,633	1,394	11,026
Dispositions					(3,242)		(3,242)
Balance, December 31, 2023	18,910	5,236,757	332,935	119,599	176,260	12,273	5,896,734
Accumulated depreciation							
Balance, December 31, 2022	0	2,271,656	322,184	114,641	104,339	-	2,812,820
Increases		113,187	2,578	4,958	4,049		124,773
Decreases							
Balance, December 31, 2023	0	2,384,844	324,762	119,599	108,388	-	2,937,593
Capital assets - net	\$ 18,910	\$ 2,851,913	\$ 8,174	\$ -	\$ 67,872	\$ 12,273	\$ 2,959,140

AMORTIZATION

Loan Fees	\$ 23,793
Amortization	(3,040)
Net	<u>\$ 20,753</u>

APPLICATION OF RESTRICTED ASSETS

When expenditures are incurred for which both restricted and unrestricted net assets are available, policy is to use unrestricted assets first and restricted assets only after unrestricted assets are depleted.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

INCOME TAXES

Northeast Public Water Authority is a non-corporate, public water authority which is exempt from federal income taxes.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Authority uses the direct write-off method of accounting for bad debts. This method is not in accordance with generally accepted accounting principle. Management has determined that the direct write-off method is not materially different than using an allowance account which is generally accepted. No allowance for uncollectible accounts has been provided since historically such accounts have been minimal. Accounts are written off when deemed uncollectible.

ACCOUNTING RECORDS

The financial statements are in agreement with the accounting records of the Authority.

PHYSICAL CONTROL

The physical control over assets appears to be adequate.

INFRASTRUCTURE (GASB 34)

Under the transition provisions of GASB 34, the Authority is not required to retroactively report major general infrastructure assets.

BUDGETS AND BUDGETARY ACCOUNTING

Accounting principles generally accepted in the United States of America require budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards.

The budget for operations is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that applicable purchases are expected to be made.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

INTANGIBLE ASSETS

Intangible assets are amortized using the straight line method over the estimated life of the asset.

NOTE 2 - ASSETS WHOSE USE IS LIMITED

All Farmers Home Administration regulations stipulate that all revenues shall be set aside into a separate account to be designated. The revenue fund account and monies so deposited therein shall be expended and used only in the manner and order as follows:

(A) DEBT SERVICE ACCOUNT

From the monies set aside and deposited in the revenue fund account, there shall first be paid and deposited in the debt service account each month an amount that will be sufficient to pay one-third (1/3) of the annual installment on the loan next becoming due and to provide and maintain a debt service reserve of \$27,816 or \$232 per month until that amount is reached. In addition, an amount of \$1,400 per month to a Short-Lived Asset Fund until \$24,000 has been reached for the USDA (FHA).

The debt service fund consists of the following:

	<u>2023</u>
First Security Bank and Trust	<u>\$ 45,832</u>
Total funds in debt service fund	45,832
Fund requirements	<u>27,816</u>
FUNDS IN EXCESS OF REQUIREMENTS	<u>\$ 18,016</u>

This bank listed above is insured by the Federal Government and is adequately collateralized.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 - ASSETS WHOSE USE IS LIMITED (CONTINUED)

(B) OPERATIONS AND MAINTENANCE ACCOUNT

From the balance in the revenue fund account after deposits in the debt service account, there shall be set aside and deposited each month sufficient money to pay the reasonable and necessary current expenses of operating and maintaining the facility for the current month and to make reasonable provisions for repair and maintenance of the facility. This account is insured by the Federal Government and adequately collateralized.

(C) DEPRECIATION ACCOUNT

From the balance remaining in the revenue fund account after deposits in the debt service account and operation and maintenance account, there shall be deposited each month in the depreciation account five percent (5%) of the gross revenue until there is accumulated the sum of \$ 5,000 to be used for the purpose of paying the cost of major repairs of damage caused by unforeseen catastrophe and for the replacements made necessary by the depreciation of the project facilities. In addition, an amount of \$1,300 per month is to be deposited to the reserve for other notes payable.

The depreciation fund consists of the following:

	<u>2023</u>
First Security Bank and Trust	<u>101,394</u>
Total in depreciation fund	101,394
Total Fund requirements	<u>5,000</u>
FUND SURPLUS OF REQUIREMENTS	<u><u>\$96,394</u></u>

The depreciation and debt service funds which are necessary to meet FHA requirements are restricted as mentioned above. The amounts in excess of fund requirements have been informally restricted by the Board. The bank listed above is insured by the Federal Government and adequately collateralized.

Subject to the foregoing, any balance in the revenue fund account shall be used for prepaying on the loan or for making improvements to the proper activities.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 - ASSETS WHOSE USE IS LIMITED (CONTINUED)

(D) SUMMARY OF ASSETS WHOSE USE IS LIMITED

The following accounts are restricted by board for future use, loan covenants, and board rule for customer deposits.

	<u>Cash</u>	<u>Certificates of deposits</u>	<u>TOTAL 2023</u>
Debt service fund	\$ -	\$ 45,832	\$ 45,832
Depreciation fund	-	101,394	101,394
Customer deposit fund	5,825	110,000	115,825
Construction reserve	2,804	4,000	6,804
ASWC Bond reserve	-	-	-
Escrow Account	-	-	-
USDA (FHA) SLA Account	12,028	51,000	63,028
	<u>\$ 20,656</u>	<u>\$ 312,227</u>	<u>\$ 332,883</u>

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of the utility plant in service at December 31, 2023 is as follows:

	<u>2023</u>
Land	\$ 18,910
Building	160,644
Water tank	558,273
Water distribution system	4,678,484
Furniture and fixtures	11,901
Equipment	191,949
Trucks	119,599
Roadways	15,616
Telemetry equipment	96,557
Computer & office machines	32,529
Loan Fees	23,793
Construction in progress	12,273
	<u>5,920,527</u>
Less accumulated depreciation	<u>(2,940,633)</u>
PROPERTY, PLANT AND EQUIPMENT IN SERVICE, NET	<u>\$ 2,979,893</u>

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - LONG-TERM DEBT

<u>OTHER NOTES PAYABLE</u>	<u>2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>2023</u>
\$731,000 USDA installment note, dated May 8, 2019 bearing interest at 2.25% annually, due in monthly installments of \$ 2,318 each, maturing 3/8/2059 secured by system. The borrowing is for the removal of old lines made with asbestos per government direction. Draws are made as project progresses. Through December 31, 2023, the amount drawn to date equaled \$450,956. Completion is expected in 2023.	679,157	-	12,665	666,492
\$1,305,000 bond payable dated January 20, 2022 bearing interest at \$2.975% annually due in monthly installments of \$9,023 each, maturing 1/20/37. Secured by system.	1,197,201	-	69,770	1,127,431
Sub-total other notes payable	<u>\$ 1,876,358</u>	<u>\$ -</u>	<u>\$ 82,435</u>	<u>\$ 1,793,923</u>

A summary of long-term debt at December 31, 2023 is as follows:

<u>DESCRIPTION:</u>	<u>2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>2023</u>
Total long-term debt	\$ 1,876,358	\$ -	\$ 82,435	\$ 1,793,923
Less current maturities	<u>\$ (88,716)</u>	<u>-</u>	<u>-</u>	<u>\$ (88,716)</u>
NET LONG-TERM DEBT	<u>\$ 1,787,642</u>	<u>\$ -</u>	<u>\$ 82,435</u>	<u>\$ 1,705,207</u>

MATURITIES OF LONG-TERM DEBT FOR THE NEXT FIVE YEARS IS AS FOLLOWS:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 88,716	\$ 47,377
2025	91,295	44,797
2026	93,950	42,142
2027	96,683	39,409
2028	99,496	36,596
2029-2033	542,647	137,813
2034-2038	343,123	64,174
2039-2043	94,956	44,124
Thereafter	<u>343,058</u>	<u>63,144</u>
TOTAL	<u>\$ 1,793,923</u>	<u>\$ 519,578</u>

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5: FUND REQUIREMENTS

Meter deposits are refundable customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposits totaled \$116,350, with reserve funds of \$115,825 at December 31, 2023.

NOTE 6: SUBSEQUENT EVENTS REVIEW

Subsequent events were evaluated by management through November 29, 2024. This is the first date the financial statements were available for issuance.

NOTE 7: COMMITMENT

The authority has a contract with the City at Mountain Home to purchase water. The contract does not require the Authority to purchase a minimum number of gallons. The water rate is adjusted annually based on most recent costs of the City of Mountain Home.

The estimated purchase commitment for the next five (5) years is as follows:

2024	100,000,000
2025	100,000,000
2026	100,000,000
2027	100,000,000
2028	100,000,000

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2023

NOTE 8: CUSTODIAL CREDIT RISK

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "cash" and "assets whose use is limited". The Authority does not have a policy for custodial credit risk. During the year the Authority occasionally exceeds insurance amounts, collateralization pledges are in place for coverage.

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 469,746	\$478,200
Uninsured, collateral held by Authority's agent in agent's name	-	-
Total Deposits	<u>\$ 469,746</u>	<u>\$478,200</u>

NOTE 9: CREDIT RISK

The Authority has no formal policy on credit risk. The Authority has relied on the depository institutions to provide sufficient collateralization.

NOTE 10: PENSION PLAN

The Arkansas Public Employees Retirement System is a separate entity, which issues separate audited financial statements. A copy of the most current financial report, for the fiscal year ended December 31, 2023, is on file at the Authority's office.

All full-time employees are required to participate upon their date of hire in the Arkansas Public Employee Retirement System (APERS) pension plan. This is a multiple-employer, cost sharing defined benefit pension plan that was established by Act 177 of 1957. Act 793 of 1977 established a contributory plan. The Authority's employees participate in the contributory plan.

NORTHEAST PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2023

NOTE 11: PENSION PLAN (CONTINUED)

Benefits:

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits as follows:

1. At age sixty-five (65) with five (5) years of actual service,
2. At any age with twenty-eight (28) years of actual service, or
3. Under the non-contributory plan, at age fifty-five (55) with thirty-five (35) years of credited service.

The normal benefit amount, paid on a monthly basis is determined by the member's final average salary and the number of years of service, five (5) or at any age with twenty-eight (28) years of actual service. APERS also provided for disability and survivor benefits.

Funding policy:

Contribution provisions applicable to the State, County, Municipal, and School Divisions are established by state law and may be amended only by the Arkansas General Assembly. The employer contribution rate for the Municipal Division contributory plan, as established by an actuarially determined reserve requirement for benefit payments, is 15.32% of gross pay. The employee contributes 5% of gross pay.

The Authority's total required contribution for the year ended December 31, 2023 was \$43,128 and included an allowable purchase for the years of service prior to the Authority's enrollment in the System in 1995. The required contributions for the year have been made.

Funding status and progress:

Per the most current APERS audit report, the excess of the accrued liability of the System over the actuarial value of assets, as adjusted to fair value based on the Entry Age Normal Cost Method, was \$2.01 [dollars in billions] at June 30, 2023. Total actuarial accrued liabilities were \$12.23 [dollars in billions], and total applicable assets at smoothed market related value were \$10.22 [dollars in billions], at June 30, 2023. APERS does not conduct separate measurements for the separate divisions or employers of the System.

Significant assumptions used to compute the actuarial value of assets and accrued liabilities along with the schedule of funding status and progress, which presents the progress in accumulating sufficient assets to pay benefits when due, and other statistical data are also presented in the APERS annual financial report which can be found at www.apers.org/annualreports.

SUPPLEMENTARY INFORMATION

NORTHEAST PUBLIC WATER AUTHORITY
SCHEDULE OF OTHER REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

OTHER REVENUE:

Installation charges	\$ 20,056
Reconnect fees	5,600
Reconnect fees - after hours	250
Disconnects income	12,240
Records and transfers	2,700
Miscellaneous	1,620
Meter rental income	1,105
Meter repair income	1,262
Plumbing permits	2,340
Collections fee income	1,354
Fire protection fee	<u>10,950</u>
TOTAL OF OTHER REVENUE	<u>\$ 59,477</u>

See accompanying independent auditor's report.

NORTHEAST PUBLIC WATER AUTHORITY

SCHEDULE OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF EMPLOYEE BENEFITS:

Health insurance	\$54,277
Uniform rental	6,063
Payroll taxes	21,436
Pension plan	<u>43,128</u>
TOTAL EMPLOYEE BENEFITS	<u><u>\$124,903</u></u>

NORTHEAST PUBLIC WATER AUTHORITY
SCHEDULE OF PURCHASED SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF PURCHASED SERVICES:

Water purchased	\$ 584,600
Utilities	<u>12,885</u>
TOTAL PURCHASED SERVICES	<u><u>\$ 597,485</u></u>

NORTHEAST PUBLIC WATER AUTHORITY

SCHEDULE OF SUPPLIES AND OTHER EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE OF SUPPLIES AND OTHER EXPENSES:

Accounting and legal	\$ 13,411
Auto and travel	3,469
Bank draft charges	2,128
Insurance	26,473
Conference meeting	-
Miscellaneous	2,586
Small equipment repair	2,333
Office supplies and expense	3,885
Postage	450
Property taxes	-
Repair and maintenance	84,626
Miscellaneous shop supplies	967
Sales tax expense	6,718
Meter installation and other repairs	15,927
Dump truck, Kubota, & Boring	4,475
Security System Fee	284
Dirt, Gravel, Base & Seed	2,928
Fuel	7,863
Licenses and dues	5,177
Main tanks	33,606
Small tools	610
Employee Drug Testing	35
Fire Extinguisher Inspection	94
Customer Relations	30
Company Lunches	1,975
Employee Reimbursements (Phone, Insurance)	5,301
Billing Software (Intedata)	1,464
Electric Bill, Office	2,298
Natural Gas Bill	533
Check returned account	-
Extension Expense	-
Hwy Bond Ins. Policy 0106770294	100
Insurance - Work Comp	6,713
Interest Paid on Loans	-
Backflow Testing	480
Billing Expense	9,223
TOTAL SUPPLIES AND OTHER EXPENSES	<u>\$ 246,160</u>

See accompanying independent auditor's report.

NORTHEAST PUBLIC WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

	<u>BUDGET</u>					
	<u>Actual</u>	<u>%</u>	<u>Final Budget</u>	<u>%</u>	<u>Variance over(under)</u>	<u>Original Budget</u>
<u>Income</u>						
Backflow Income	\$ 720	0.05%	\$ -	0.00%	\$ 720	\$ -
Water sales	1,262,965	89.14%	1,230,280	92.11%	32,685	1,230,280
Water sales-Teal Point	28,706	2.03%	21,730	1.63%	6,976	21,730
Water sales-CR 30	13,352	0.94%	12,760	0.96%	592	12,760
Water sales-Panther Heights	14,527	1.03%	14,436	1.08%	91	14,436
Sales - non-taxable	32,544	2.30%	17,000	1.27%	15,544	17,000
Disconnects/Lock-Offs	12,240	0.86%	-	0.00%	12,240	-
Install-new meters	20,056	1.42%	15,000	1.12%	5,056	15,000
Reconnect	5,850	0.41%	6,000	0.45%	(150)	6,000
Rec & Transfers	2,700	0.20%	2,000	0.15%	700	2,000
Plumbing & Permits	2,340	0.17%	1,000	0.07%	1,340	1,000
Fire protection fee	10,950	0.77%	10,000	0.75%	950	10,000
Interest Income	3,052	0.22%	2,500	0.19%	552	2,500
Miscellaneous Income	2,376	0.16%	3,000	0.22%	(624)	3,000
Discounts Earned	2,136	0.15%	-	0.00%	2,136	-
Meter Rental	1,105	0.08%	-	0.00%	1,105	-
Repair Income	1,262	0.09%	-	0.00%	1,262	-
Total	<u>\$ 1,416,881</u>	100.00%	<u>\$ 1,335,706</u>	100.00%	<u>\$ 81,173</u>	<u>\$ 1,335,706</u>
<u>Expenses</u>						
Travel	\$ 3,469	0.24%	\$ -	0.00%	\$ 3,469	\$ -
Accounting & Legal	13,411	0.94%	15,000	1.13%	(1,589)	15,000
Backhoe,Boring,Bond	4,475	0.31%	2,000	0.15%	2,475	2,000
Bad debt	1,070	0.07%	1,000	0.08%	70	1,000
Bank draft charges	2,128	0.15%	1,200	0.09%	928	1,200
Conference meetings	-	0.00%	3,000	0.23%	(3,000)	3,000
Dues & Fees	4,927	0.34%	6,000	0.45%	(1,073)	6,000
Dirt, Gravel & Base	2,928	0.20%	3,000	0.23%	(72)	3,000
Tank Maintenance	33,606	2.35%	-	0.00%	33,606	-
Billing Software	1,464	0.10%	-	0.00%	1,464	-
Fuel-BH,Shop,Mow	7,863	0.55%	10,200	0.77%	(2,337)	10,200
Health Insurance	54,277	3.80%	60,246	4.53%	(5,969)	60,246
Insurance Expense	33,286	2.33%	26,000	1.95%	7,286	26,000
Interest Expense FNBC/USDA	53,657	3.75%	52,483	3.94%	1,174	52,483
Meter Install	15,927	1.11%	9,000	0.68%	6,927	9,000
Misc Expense	5,445	0.38%	4,000	0.30%	1,445	4,000
Misc Shop Supplies	1,577	0.11%	1,000	0.08%	577	1,000
Office Supplies	3,885	0.27%	6,000	0.45%	(2,115)	6,000
Payroll	280,107	19.59%	259,762	19.52%	20,345	259,762
Payroll Tax Expense	21,436	1.50%	19,846	1.49%	1,590	19,846
Postage	9,673	0.68%	9,000	0.68%	673	9,000
Repairs & Maintenance	84,625	5.92%	60,000	4.51%	24,625	60,000
Retirement Expense	43,128	3.02%	39,795	2.99%	3,333	39,795
Sales Tax Expense	6,718	0.47%	3,000	0.23%	3,718	3,000
Security System Fee	284	0.02%	300	0.02%	(16)	300
Small Equip Repairs	2,333	0.16%	700	0.05%	1,633	700
Telephone/Utilities	15,716	1.10%	20,000	1.50%	(4,284)	20,000
Uniform Rent	6,063	0.42%	5,400	0.41%	663	5,400
Water Purchases	584,600	40.89%	580,000	43.58%	4,600	580,000
Depreciation/Amortization	126,359	8.84%	133,000	9.99%	(6,641)	133,000
Employee Reimbursem.	5,301	0.37%	-	0.00%	5,301	-
Total	<u>\$ 1,429,738</u>	100.00%	<u>\$ 1,330,932</u>	100.00%	<u>\$ 98,806</u>	<u>\$ 1,330,932</u>

See accompanying independent auditor's report

NORTHEAST PUBLIC WATER AUTHORITY
BOARD OF DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of Directors of Northeast Public Water Authority was composed of the following individuals at December 31, 2023:

Jay Sabella	President	01/01/2023 - 12/31/2025
Sonia Boling	Vice President	01/01/2023 - 12/31/2025
Matt Bennett	Treasurer	01/01/2024 - 12/31/2026
Linda McClellan	Board Member	01/01/2022 - 12/31/2024
Brett Cox	Board Member	01/01/2024 - 12/31/2026
Mike Camp	Board Member	01/01/2022 - 12/31/2024
Matt Stone	Board Member	01/01/2024 - 12/31/2026
Gerry Lance	General Manager	

NORTHEAST PUBLIC WATER AUTHORITY

INSURANCE COVERAGE
December 31, 2023

	<u>Coverage</u>
GENERAL LIABILITY:	
Damage	\$1,000,000
Personal injury	1,000,000
Medical	5,000
Property	2,555,480
VEHICLES:	
Property damage	1,000,000
Medical	5,000
Theft loss	447,000
Mechanical equipment	82,196
Additional debris cleanup	5,000
Pollutant Cleanup & Removal	10,000
Umbrella	1,000,000
Linebacker Public Officials & Employment Practices Liability	1,000,000
Aggregate for Each Policy Term	1,000,000
Cybersolutions Reclamations	50,000

See accompanying independent auditor's report.

NORTHEAST PUBLIC WATER AUTHORITY

WATER RATE SCHEDULE

December 31, 2023

3/4 INCH METER:

Minimum water bill	\$36.91/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

3/4 INCH METER - TEAL POINT:

Minimum water bill	\$ 43.00/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

3/4 INCH METER - PANTHER HEIGHTS:

Minimum water bill	\$ 44.13/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

1 INCH METER:

Minimum water bill	\$ 46.64/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

1 INCH METER - TEAL POINT:

Minimum water bill	\$ 83.96/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

1 1/2 INCH METER:

Minimum water bill	\$ 56.35/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

2 INCH METER:

Minimum water bill	\$ 77.00/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

2 INCH METER - TEAL POINT:

Minimum water bill	\$ 120.12/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

3 INCH METER:

Minimum water bill	\$ 231.56/2,000 gallons
	\$ 9.45/1,000 gallons after 2,000 gallons

None of the above rates include sales tax.

There is a .40 cent safe water act fee charged on each bill.

See accompanying independent auditor's report.

NORTHEAST PUBLIC WATER AUTHORITY

USERS BY CLASS
December 31, 2023

<u>Customer category (usage in gallons)</u>	<u>Customer Count</u>
	<u>Total</u>
< 2,000	172
2001 - 4,000	1329
4,001 - 6,000	211
6,001 - 10,000	102
> 10,000	<u>62</u>
	<u><u>1,876</u></u>

ADDITIONAL INFORMATION:

Water loss figures for the year ended December 31, 2023 are as follows:

Gallons of water purchased	128,562,170
Gallons of water sold and used	<u>88,830,972</u>
Gallons of water lost	<u><u>39,731,198</u></u>

Note: Required Supplementary Information - Budget Reconciliation

The differences between legally adopted expenditures for the Authority budgets and generally accepted accounting principles figures are as follows:

(Capitalization of asset expenditures and nonrevenue treatment of loan proceeds.)

Expenditures	Water
Legal budget	\$ 1,197,932
Depreciation	126,359
Amortization	<u>1,586</u>
GAAP	<u><u>\$ 1,199,518</u></u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Northeast Public Water Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Public Water Authority which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Northeast 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Public Water Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Northeast 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 their 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as Finding 1 and Finding 2 that I consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Public Water Authority's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on

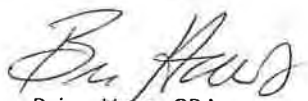
compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northeast Public Water 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 my audit and described in the accompanying schedule of findings. Northeast Public Water Authority's response was not subjected to the other auditing procedures applied in the audit of financial statements, and accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal controls and compliance and for 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.



Brian Haas, CPA
1616 Highway 62 West
Mountain Home, Arkansas 72653

November 29, 2024

NORTHEAST PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2023

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Northeast Public Water Authority.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the report on compliance and internal control. The conditions reported are not a material weakness.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES:

1. Segregation of duties:

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled properly.
Condition:	The company does not have a proper segregation of duties. This condition also existed in prior years.
Causes:	The staff is so small there are only a limited number of people for certain functions.
Effect:	Transactions could be mishandled, which could affect accuracy of the financial statement.
Recommendation:	Duties should be separated as much as possible and alternative controls used to compensate for lack of separation.
Response:	Management has determined that it is not economically feasible to have the necessary segregation of duties required to have a more adequate internal control system.

NORTHEAST PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

2. Establish internal control over financial statement preparation and review:

Criteria:	Management is responsible for establishing and maintaining control and for the fair presentation of the net assets, supplementary information, and disclosures in the financial statements, in conformity with generally accepted accounting standards.
Condition:	Northeast Public Water Authority does not have a system of internal control that would provide management with reasonable assurance that the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting standards. As such, management requested me to compile and prepare a draft of the financial statements, including the related note disclosures. This condition also existed in prior years.
Cause:	There are limited personnel with proper training and skills to provide the necessary reporting skills for fair presentation of all the financial information.
Effect:	Financial statements and related footnote disclosures and supplementary information required by generally accepted accounting standards, and accounting standards would not be complete.
Recommendation:	Use of an outside consultant to use as an aid to drafting the financial statements.
Response:	Management has determined that it is not economically feasible to acquire an employee capable of drafting the financial statements. These conditions have persisted from prior years into the current year which has not allowed the company to improve this aspect of controls.