

**OZARK WATER & SEWER DEPARTMENT**  
**Independent Auditors' Report**  
**and**  
**Financial Statements**

**December 31, 2023 and 2022**

**OZARK WATER & SEWER DEPARTMENT**  
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**December 31, 2023 and 2022**

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# King & Jacobs & Lorfing

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## Independent Auditors' Report

To the City Council  
Ozark Water & Sewer Department  
Ozark, AR 72949

### **Opinions**

We have audited the accompanying financial statements Ozark Water & Sewer Department, enterprise fund of the City of Ozark, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Ozark Water & Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ozark Water & Sewer Department, an enterprise fund of the City of Ozark, Arkansas, as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for 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 the Ozark Water & Sewer Department 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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Ozark Water & Sewer Department and do not purport to, and do not, present fairly the financial position of City of Ozark, Arkansas as of December 31, 2023 and 2022, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **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 Ozark Water & Sewer Department'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.

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**

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinions on the basic financial statements are not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of Ozark Water & Sewer Department'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 Ozark Water & Sewer

Department'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 Ozark Water & Sewer Department's internal control over financial reporting and compliance.

*King Jacobs & Lorfing, CPAs, P.A.*

King Jacobs & Lorfing, CPAs, P.A.

Clarksville, Arkansas

October 7, 2024

**OZARK WATER & SEWER DEPARTMENT****Statements of Net Position  
December 31, 2023 and 2022**ASSETS

	<u>2023</u>	<u>2022</u>
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 1,185,115	\$ 1,339,417
Accounts Receivables	200,259	211,549
Unbilled Receivables	39,149	32,563
Inventories	88,349	90,895
Prepaid Expenses	33,530	30,856
Total Current Assets	<u>1,546,402</u>	<u>1,705,280</u>
<b>Restricted Funds</b>		
Cash and Cash Equivalents	<u>2,119,594</u>	<u>2,093,445</u>
<b>Capital Assets</b>		
Real Estate and Buildings	438,813	438,813
Water System	14,166,432	13,548,780
Sewer System	6,796,296	6,717,019
Trucks and Equipment	1,002,686	897,573
Office Equipment	108,228	101,478
Construction in Progress	-	290,865
	<u>22,512,456</u>	<u>21,994,528</u>
Less: Accumulated Depreciation	<u>(13,565,213)</u>	<u>(13,101,569)</u>
Net Capital Assets	<u>8,947,243</u>	<u>8,892,960</u>
<b>Other Assets</b>		
Investment in Arkansas Valley Electric	<u>124,091</u>	<u>114,528</u>
<b>Deferred Outflow of Resources</b>		
Deferred Amounts from Refunding of Debt	<u>37,381</u>	<u>44,243</u>
<b>Total Assets</b>	<u><u>\$ 12,774,711</u></u>	<u><u>\$ 12,850,456</u></u>

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

**OZARK WATER & SEWER DEPARTMENT**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
<b>Current Liabilities</b>		
Current Installments of Long-Term Debt (Payable from Restricted Assets)	\$ 340,000	\$ 330,000
Accounts Payable	77,607	96,348
Accrued Expenses	85,200	86,513
Accrued Interest Payable (Payable from Restricted Assets)	26,238	28,293
FEMA Payable	12,620	46,647
Total Current Liabilities	<u>541,666</u>	<u>587,801</u>
 Long-Term Debt, Net of Current Maturities & Discounts	 <u>3,833,613</u>	 <u>4,166,752</u>
 Other Liabilities		
Customer Deposits	<u>155,322</u>	<u>150,961</u>
 Total Liabilities	 <u>4,530,600</u>	 <u>4,905,514</u>
 Net Position		
Invested in Capital Assets, Net of Related Debt	4,811,011	4,440,450
Restricted	2,119,594	2,093,445
Unrestricted	1,313,506	1,411,046
Total Net Position	<u>8,244,110</u>	<u>7,944,941</u>
 Total Liabilities and Net Position	 <u>\$ 12,774,711</u>	 <u>\$ 12,850,456</u>

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

**OZARK WATER & SEWER DEPARTMENT**  
**Statements of Revenues and Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Water Revenue	\$ 2,032,575	\$ 2,032,445
Sewer Revenue	274,109	265,315
Total Operating Revenue	<u>2,306,684</u>	<u>2,297,760</u>
Operating Expenses		
Depreciation	486,593	463,647
Dues, Schools, and Meetings	14,977	13,027
Insurance	63,911	56,626
Miscellaneous	1,672	2,308
Office Expense	41,302	42,965
Payroll Taxes and Employee Benefits	118,762	111,727
Professional Expenses	20,168	20,551
Salaries	456,144	438,453
Sewer Plant/ Lift Station Operation Expense	113,247	128,683
Uniforms and Safety	3,861	5,980
Fuel & Vehicle Expense	33,971	37,815
Water Plant and Distribution Expense	617,016	586,996
Total Operating Expenses	<u>1,971,625</u>	<u>1,908,779</u>
Income from Operations	<u>335,059</u>	<u>388,981</u>
Other Nonoperating Income (Expense)		
Interest Income	64,539	10,320
Interest Expense	(124,839)	(135,826)
Miscellaneous Income	24,410	19,169
Bond Issuance Expense	-	(136,148)
Grant Income	-	22,600
Total Other Income (Expense)	<u>(35,890)</u>	<u>(219,886)</u>
Changes in Net Position	299,169	169,095
Net Position - Beginning of the Year	7,944,941	7,775,846
Net Position - End of the Year	<u>\$ 8,244,110</u>	<u>\$ 7,944,941</u>

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



**OZARK WATER & SEWER DEPARTMENT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 2,311,388	\$ 2,287,523
Cash Paid for Goods and Services	(935,757)	(918,281)
Cash Paid to Employees for Services	(576,938)	(545,884)
Net Cash Provided by Operating Activities	<u>798,693</u>	<u>823,358</u>
<b>Cash Flows from Non-Capital &amp; Related Financing Activities:</b>		
Increase (Decrease) in Meter Deposits	4,360	5,161
Net Cash Provided by Non-Capital & Related Financing Activities	<u>4,360</u>	<u>5,161</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>		
2022 Bond Issue	-	4,680,000
Bond Issuance expense	-	(136,148)
Payments on Debt Obligations	(330,000)	(4,650,000)
Interest paid on Debt Obligations	(113,171)	(126,764)
Net Cash Provided by Capital & Related Financing Activities	<u>(443,171)</u>	<u>(232,913)</u>
<b>Cash Flows from Investing Activities:</b>		
Capital Expenditures	(547,225)	(334,280)
Investment Income	64,539	10,269
Miscellaneous Income	14,847	9,454
Refunding of Arkansas Valley Electric Coop Certificates of Equity	2,403	2,560
Net Cash Provided by Investing Activities	<u>(465,437)</u>	<u>(311,997)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(105,554)	283,610
Cash & Cash Equivalents at Beginning of Year	3,410,263	3,126,653
Cash & Cash Equivalents at End of Year	<u>\$ 3,304,709</u>	<u>\$ 3,410,263</u>

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

**OZARK WATER & SEWER DEPARTMENT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of Earnings from Operations to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 335,059	\$ 388,981
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	486,593	463,647
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	11,290	(13,380)
(Increase) Decrease in Unbilled Receivables	(6,585)	3,143
(Increase) Decrease in Inventory	2,546	(16,926)
(Increase) Decrease in Prepaid Expenses	(2,674)	(3,423)
Increase (Decrease) in Accounts Payable	7,805	(11,159)
Increase (Decrease) in Accrued Expenses	(1,313)	35,075
Increase (Decrease) in FEMA Payable	(34,027)	(22,600)
Net Cash Provided by Operating Activities	<u>\$ 798,693</u>	<u>\$ 823,358</u>
Non-Cash Investing, Capital & Financing Activities:		
Purchase of Equipment in Accounts Payable	\$ 41,000	\$ 67,545
Capital Credits Issued for Arkansas Valley Electric	\$ 9,563	\$ 7,155
Amortization Deferred Bond Discount & Deferred Amounts from Debt Refunding	\$ 13,722	\$ 14,483

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

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Ozark Water & Sewer Department is an enterprise fund of the City of Ozark, Arkansas and is responsible for the operation and maintenance of their water and sewer system. The Department is governed by the mayor and the city council.

**Basis of Accounting**

The Department is accounted for in an enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to private business enterprises or for which periodic determination of revenues, expenses and net income is desirable. These funds render services to the general public on a user-charge basis. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The Department accounts for its activities in accordance with generally accepted accounting principles in Governmental Accounting Standards Board (GASB) Codification, Technical Bulletins, Implementation Guides, and literature of the AICPA cleared by GASB.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include checking accounts, savings, money market accounts, certificates of deposit, and short-term investments with maturities of three months or less in which the Department can effectively deposit or withdraw cash at any time without significant prior notice or penalty.

**Permitted Investments**

As per the City of Ozark's Ordinance No. 2022-07 authorizing the Series 2022 Water and Sewer Refunding Construction and Revenue Bond Section 7.01(d), "Permitted Investments" are defined to mean (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) direct obligations of an agency, instrumentally or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds, (iv) money market funds invested exclusively in Government Securities and obligations described in (ii) above, or (v) any other investment authorized by applicable laws of the State of Arkansas.

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services.

The Department uses the direct write-off method for uncollectible receivables. Uncollectible accounts written off for 2023 were \$2,614 and for 2022 were \$950. Revenues are adjusted for the uncollectible accounts written off. No allowance for uncollectible accounts has been estimated. Prior amounts written off as uncollectible accounts have not been significant, and no significant uncollectible accounts have been determined as of December 31, 2023.

Inventory Valuation

Material and supplies inventories are stated at lower of cost (computed on a first-in, first-out basis) or market.

Capital Assets and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to forty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are charged to expense as incurred. Acquisitions of property and equipment in excess of \$500 and useful life over one year are capitalized at cost or fair market value of the donation. Depreciation on construction in progress begins at the time the asset is completed and placed in service. The estimated useful lives are as follows:

Buildings	7-40 years
Water System	7-40 years
Sewer System	7-40 years
Trucks & Equipment	5-15 years
Office Equipment	5-7 years

Equity Classifications

The Department classifies net assets into the following three components:

Invested in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of the carrying amount of bonds, mortgages or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Consists of amounts which have external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations imposed by law.

Unrestricted Net Position – Consists of net assets that do not meet the definition of “Invested in Capital Assets, Net of Related Debt” or “Restricted Net Position”.

Operating Revenues and Expenses

Operating revenues and expenses are distinguished from other revenues (expenses) items. Operating revenues generally result from providing services in connection with the Department’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues (expenses), but remain a major component of the overall revenues and expenses of the Department.

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

Compensated Absences

The Department accrues accumulated unpaid vacation when earned by the employee. Paid vacation time is accrued as follows: 0 to 6 months – none, 6 months to 1 year – 5 days, 1 to 10 years – 10 days, 10 to 20 years – 15 days, after 20 years – 20 days. Accrued time will be paid if the employee leaves employment of the Department. Accrued vacation is recorded as a current liability.

Eligible employees accrue sick leave at the rate of one working day per month. Any accumulated sick leave which is not used in any calendar year may be carried over as accumulated sick leave days for the succeeding calendar year up to maximum of 480 hours. Employees are not paid for accrued sick leave upon termination of employment; therefore, no liability is accrued.

Restricted and Unrestricted Funds

When both restricted and unrestricted resources are available for use, generally it is the Department's policy to use unrestricted resources first and to transfer restricted funds as needed. For projects funded by tax-exempt debt proceeds, the debt proceeds are used first.

Income Taxes

As a municipally owned utility, the Department is exempt from federal and state income taxes.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Department follows GASB Codification 150 *Cash Deposits with Financial Institutions*.

The deposits and money market funds are stated at fair values.

Deposits and Money Market Funds

The Ozark Water and Sewer Department maintained cash, certificates of deposit, and treasury notes at five financial institutions on December 31, 2023. Deposits are required to be held in banks with FDIC membership. Deposits in excess of FDIC insured limits are to be collateralized by pledged securities or invested in United States government direct obligations. Cash accounts at banks are insured by the FDIC up to \$250,000. Details of cash insured and uninsured are as follows:

Total Bank Balances	\$ 3,390,584
FDIC Insured Time and Demand Deposits	(1,377,701)
Collateral Pledged by Financial Institutions and/or held in U.S. Government direct obligations	<u>(2,009,511)</u>
Uncollateralized Deposits	<u>\$ 3,372</u>

Custodial Credit Risk

The Department's policy is that deposits and investments be insured or collateralized at a minimum of 100% of the deposits and investments' fair value. On December 31, 2023, the department had \$3,372 in uncollateralized deposits. On December 31, 2022, the department had \$0 in uncollateralized deposits.

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 3 - RESTRICTED FUNDS**

Certain resources of the Department, set aside for the repayment of the Department's revenue bonds, are classified as restricted assets on the statements of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

	2023	2022
Security Deposits Checking	\$ 179,109	\$ 175,762
Depreciation Fund Checking	494,274	450,284
Construction Accounts Checking	129,553	348,676
2022 Bond Project Fund	261,877	250,370
2022 Debt Service Bond Fund	120,303	114,055
Total Restricted Fund Accounts	\$ 1,185,115	\$ 1,339,147

**NOTE 4 - CAPITAL ASSET SCHEDULE**

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Buildings and Real Property	\$ 363,616	\$ -	\$ -	\$ 363,616
Water System	13,548,780	617,652	-	14,166,432
Sewer System	6,717,019	79,278	-	6,796,296
Trucks and Equipment	897,573	146,359	(41,246)	1,002,686
Office Equipment	101,478	6,750	-	108,228
Total Capital Assets at Cost	21,628,466	850,038	(41,246)	22,437,259
Less: Accumulated				
Depreciation	(13,101,569)	(486,593)	22,949	(13,565,213)
Total Depreciable Assets	8,526,898	363,445	(18,297)	8,872,046
Land	75,197	-	-	75,197
Construction in Progress	290,865	91,190	(382,055)	-
Net Capital Assets	\$ 8,892,959	\$ 454,635	\$ (400,352)	\$ 8,947,243

Depreciation expenses for 2023 and 2022 were \$486,593 and \$463,647, respectively.

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 5 - LONG TERM DEBT**

Long Term Debt Schedule

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2022	Amounts Due In One Year
2022 Utility Refunding and Revenue Bonds	4,545,000	-	(330,000)	\$4,215,000	340,000
<b>Total LTD</b>	<b>\$4,545,000</b>	<b>\$ -</b>	<b>\$ (330,000)</b>	<b>\$4,215,000</b>	<b>\$ 340,000</b>
Bond Discounts	(48,248)	-	6,860	(41,387)	
<b>Carrying Value</b>	<b>\$4,496,752</b>	<b>\$ -</b>	<b>\$ (323,140)</b>	<b>\$4,173,613</b>	

2022 Utility Water & Sewer Refunding and Construction Bonds Revenue Bonds, dated April 22, 2022, final bond due October 1, 2034. Interest rate is 2.49% payable in April and October. Principal payments due in October each year. Bonds are collateralized by a pledge of the net revenues from the system. The Series 2022 Bonds were issued for the purpose of refunding the 2015 and 2016 Bonds and for construction of system improvements.

The 2022 bond issue is a special obligation bond issue of the City of Ozark, Arkansas secured by revenues of the water and sewer departments.

The maturity schedule of the 2023 Utility Water & Sewer Refunding and Construction Revenue Bonds is as follows:

Date Due	Interest Due	Principal Due	Total
2024	\$ 104,954	\$ 340,000	\$ 444,954
2025	96,488	350,000	446,488
2026	87,773	355,000	442,773
2027	78,933	365,000	443,933
2028	69,844	375,000	444,844
2029-2033	205,051	2,005,000	2,210,051
2034	10,582	425,000	435,582
<b>Total Debt</b>	<b>\$ 653,625</b>	<b>\$ 4,215,000</b>	<b>\$ 4,868,625</b>

**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

Instructions from the underwriters of the Series 2022 bond issue require monthly transfers from operating revenues to a debt service reserve to be used to pay the principal and interest expense on the bond issue. The Department has met all its debt service requirements for the years ending December 31, 2023 and 2022.

**NOTE 7 - SERIES 2022 REFUNDING BONDS**

On April 22, 2022, Ozark Water & Sewer Department issued \$4.68 million in Refunding Bonds and Construction Bonds with interest rates 2.49% to refund \$4.515 million of outstanding 2015 and 2016 Refunding and Construction Revenue Bonds with interest rates varying from 2.0% to 3.7%. The economic gain (difference between present values of the old and new debt service payments) is \$259,357 using the effective interest rate of 2.379%. The refunding reduced the debt service payments by estimated \$168,000 over the life of the bonds.

**NOTE 8 - CONCENTRATIONS IN THE VOLUME OF BUSINESS TRANSACTED WITH PARTICULAR CUSTOMERS**

The amount of gross income from major customers is as follows:

	<u>2023</u>		<u>2022</u>	
Butterball, LLC	\$ 772,707	38.7%	\$ 847,667	42.4%
River South Water Users	277,396	13.9%	282,780	14.1%
City of Altus Water Dept.	294,828	14.7%	245,881	12.3%
Watalula Water Assoc.	175,534	8.8%	159,110	8.0%
Pleasant View Water Assoc	133,674	6.7%	152,037	7.6%
Totals	<u>\$ 1,654,139</u>	<u>82.7%</u>	<u>\$ 1,687,474</u>	<u>84.4%</u>
Total Sales	<u>\$ 1,999,226</u>		<u>\$ 2,297,760</u>	

Approximately 82.7% and 84.4% of the Department's water sales were provided by Butterball LLC, River South Water Users, City of Altus Water Department, Watalula Water Association, and Pleasant View Water Association in 2023 and 2022 respectively.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Department to concentrations of credit risk consist primarily of trade receivables with a variety of customers. Concentrations of credit risk with respect to accounts receivable are limited due to the Department's customer base being made up of a large number of customers, thus spreading the trade credit risk. The Department generally does not require collateral other than the required customer deposit to support accounts receivables.



**OZARK WATER & SEWER DEPARTMENT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 10 - SIMPLE IRA**

Ozark Water and Sewer Department maintains a simple IRA plan through Capital Guardian Trust. The Department will match an employee's salary reduction contributions up to 3% of the employee's annual compensation. The cost of this plan was \$10,489 in 2023 and \$9,982 in 2022.

**NOTE 11 - FEMA PAYABLE**

In January 2020, FEMA funds were received to repair 2019 flood damages at the Wastewater Treatment Plant and Chrisman Pump Station. Due to delays caused by change in personnel and Covid 19, the repairs were not completed during the period of performance stated in the FEMA contract. This issue has been discussed with FEMA and extension was granted. In December 2023, \$34,027 was sent to Arkansas Division of Emergency Management for repayment to FEMA for a portion of the funds not used for repairs. The repairs were completed in January 2024.

**NOTE 12 - ACCOUNTS RECEIVABLE**

Accounts Receivable are as follows:

	<u>January 1, 2022</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Accounts Receivable	\$ 198,169	211,549	200,259

**NOTE 13 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 7, 2024 which is the date the financial statements were to be issued.

# King & Jacobs & Lorfing

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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*

To the City Council of Ozark  
Ozark Water & Sewer Department  
Ozark, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ozark Water and Sewer Department of the City of Ozark, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Ozark Water and Sewer Department of the City of Ozark, Arkansas's basic financial statements, and have issued our report thereon dated October 7, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ozark Water and Sewer Department'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 Ozark Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Ozark Water and Sewer Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Ozark Water and Sewer Department'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 determination of financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In January 2020, FEMA funds were received to repair 2019 flood damages at the Wastewater Treatment Plant and Chrisman Pump Station. Due to delays caused by change in personnel and Covid 19, the repairs were not completed during the period of performance stated in the FEMA contract. This issue has been discussed with FEMA and the performance period was extended. Funds received for a portion of the project that was determined to not be necessary were refunded to FEMA on December 11, 2023. The remaining funds were expended on approved purchases in January 2024.

Deposits in excess of FDIC insured limits are to be collateralized by pledged securities or invested in United States government direct obligations. Deposits held in Priority Bank were \$3,372 in excess of FDIC coverage of \$250,000. The excess was not collateralized by Priority Bank.

#### **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.

  
King Jacobs & Lorfing, CPAs, PA  
Clarksville, AR  
October 7, 2024