




Searcy Water Utilities

An Enterprise Fund of the City of Searcy, Arkansas

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

June 30, 2024 and 2023



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Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Contents
June 30, 2024 and 2023

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Supplementary Information	
Analysis of Operating Revenues and Expenses.....	19
Bond and Interest Requirements	20
Net Revenue Coverage of Bond Payments	22
Departmental Revenues and Expenses	23
Comparative Analysis of Operating Revenues and Expenses	24
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report.....	25

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Independent Auditor's Report

Searcy Board of Public Utilities
Searcy Water Utilities
Searcy, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Searcy Water Utilities (Utility), an enterprise fund of the City of Searcy, Arkansas, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for 12 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 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 GAAS 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 GAAS 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 the Utility'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 the Utility'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 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The analysis of operating revenues and expenses, bond and interest requirements, net revenue coverage of bond payments, departmental revenues and expenses, and comparative analysis of operating revenues and expenses schedules are

presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the analysis of operating revenues and expenses, bond and interest requirements, net revenue coverage of bond payments, departmental revenues and expenses, and comparative analysis of operating revenues and expenses schedules are 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*, we have also issued our report dated October 21, 2024 on our consideration of the Utility'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 Utility'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 the Utility's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Rogers, Arkansas
October 21, 2024**

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Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Management's Discussion and Analysis
June 30, 2024 and 2023

Our discussion and analysis of Searcy Water Utilities' (Utility) financial performance provides an overview of the Utility's financial activities for the years ended June 30, 2024 and 2023. This overview should be read in conjunction with the Utility's financial statements, which begin on page 8.

Using the Annual Audit Report

This annual audit report consists of a series of financial statements and footnotes and supplementary information. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position provide information about the financial activities of the Utility. The footnotes and supplementary information provide additional narrative concerning selected financial statement items.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets	\$ 15,193,125	\$ 13,884,986	\$ 11,090,303
Restricted assets	2,838,590	3,485,406	3,023,520
Net capital assets	<u>65,880,822</u>	<u>66,161,286</u>	<u>66,722,327</u>
 Total Assets	 <u>\$ 83,912,537</u>	 <u>\$ 83,531,678</u>	 <u>\$ 80,836,150</u>
Liabilities			
Current liabilities	\$ 2,449,931	\$ 2,354,813	\$ 1,895,878
Long-term liabilities	<u>8,663,101</u>	<u>9,887,337</u>	<u>9,950,957</u>
 Total Liabilities	 <u>\$ 11,113,032</u>	 <u>\$ 12,242,150</u>	 <u>\$ 11,846,835</u>
Net Position			
Net investment in capital assets	\$ 57,036,500	\$ 56,110,427	\$ 56,630,593
Restricted	1,864,942	2,715,420	2,010,439
Unrestricted	<u>13,898,063</u>	<u>12,463,681</u>	<u>10,348,283</u>
 Total Net Position	 <u>\$ 72,799,505</u>	 <u>\$ 71,289,528</u>	 <u>\$ 68,989,315</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Management's Discussion and Analysis
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues			
Operating revenues	\$ 12,282,976	\$ 12,097,164	\$ 10,821,303
Other revenues	343,883	105,215	59,865
Total Revenues	<u>\$ 12,626,859</u>	<u>\$ 12,202,379</u>	<u>\$ 10,881,168</u>
Expenses			
Depreciation expense	\$ 2,343,300	\$ 2,322,744	\$ 2,141,657
Other operating expenses	8,085,915	6,887,725	6,365,255
Other expenses	687,667	691,697	727,904
Total Expenses	<u>\$ 11,116,882</u>	<u>\$ 9,902,166</u>	<u>\$ 9,234,816</u>
Change in net position before contributions	\$ 1,509,977	\$ 2,300,213	\$ 1,646,352
Contributed capital	-	-	345,963
Change in net position	<u>1,509,977</u>	<u>2,300,213</u>	<u>1,992,315</u>
Net position, beginning of year	<u>71,289,528</u>	<u>68,989,315</u>	<u>66,997,000</u>
Net position, end of year	<u>\$ 72,799,505</u>	<u>\$ 71,289,528</u>	<u>\$ 68,989,315</u>

Statements of Net Position

Financial ratios are used to analyze relationships between different pieces of financial information. Ratio analysis can present information about an entity's operating performance and financial position. Short-term liquidity can be demonstrated using the Current Ratio and Quick Ratio. The Current Ratio is calculated by dividing Current Assets by Current Liabilities. The Quick Ratio is similar to the Current Ratio but excludes inventory because inventory is normally the least liquid current asset. A number greater than one indicates current assets in excess of current needs that can be applied to future periods. The Current Ratios for the years ended June 30, 2024, 2023, and 2022 were 6.20, 5.90, and 5.85, respectively. Using 2024, for example, this means that for every \$6.20 in current assets, the Utility has \$1.00 in current liabilities. When excluding inventory, for the years ended June 30, 2024, 2023, and 2022, the Quick Ratio is 5.97, 5.59, and 5.96, respectively.

Working capital, like the Current Ratio, represents the excess of Current Assets over Current Liabilities. Working Capital is expressed in dollars while the Current Ratio is expressed as a ratio. As of June 30, 2024, the Working Capital on hand was \$12.7 million. As of June 30, 2023, the Working Capital on hand was \$11.5 million. As of June 30, 2022, the Working Capital on hand was \$9.2 million.

Efficiency can also be demonstrated by calculating the average collection period. Because other agencies are included in the monthly water bill, i.e., Searcy Sanitation, their balances are subtracted from Accounts Receivable so that a comparison can be made between water and sewer receivables and water and sewer revenues. Next, Unbilled Revenue is subtracted to arrive at the actual billed receivables balance. Receivables Turnover is calculated by dividing Total Operating Revenue by Total Water and Sewer Accounts Receivable. Then 365 days is divided by the Receivables Turnover to arrive at the Average Collection Period of 21.26 days, 25.20 days, and 22.52 days as of June 30, 2024, 2023, and 2022, respectively.

Another important ratio is the Debt Utilization Ratio, which is calculated by dividing total debt by total assets and is 10.5, 12.0, and 12.5 for 2024, 2023, and 2022, respectively. This ratio indicates that total debt is 10.5% of total assets.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Management's Discussion and Analysis
June 30, 2024 and 2023

Statements of Revenues, Expenses, and Changes in Net Position

Water operating revenue for 2024 increased 3.65% from 2023 and for 2023 increased 10.65% from 2022. These year over year increases were due primarily to customers using slightly more water during drier weather conditions and the increases in water rates effective July 1, 2023 and July 1, 2022.

Sewer operating revenue for 2024 increased 4.93% from 2023 and for 2023 increased 9.70% from 2022. These increases were due primarily to the increases in sewer rates effective July 1, 2023 and July 1, 2022. Additionally, sewer consumption generally tracks to water consumption, so when water revenue is higher, so is sewer revenue.

Highlights for fiscal years 2024 and 2023 are discussed below:

- Sewer pretreatment surcharges for 2024 increased 25.75% from 2023 amounts, and surcharges for 2023 increased 52.67% from 2022 amounts. These year over year increases reflect some industries discharging more volume of conventional pollutants as compared to the year before.
- Penalty charges for 2024 decreased 10.70% from 2023 amounts. Penalty charges for 2023 increased 40.57% from 2022 amounts. Penalty charges were unusually higher for 2023 over 2022 due to catching up on collections after the COVID-19 pandemic. For 2024, the penalty charges dropped back to pre-COVID-19 pandemic levels and should more closely track to revenue going forward.
- Connection fees for 2024 decreased 46.95% from 2023 amounts. Connection fees for 2023 increased 117.36% from 2022 amounts. Connection fees were higher in 2023 due to two large apartment complexes that paid their connection fees toward the end of 2023. The drop in connection fees for 2024 is the normalizing of revenue from connection fees.
- Other operating income for 2024 decreased 47.35% from 2023 amounts and other operating income for 2023 decreased 13.94% from 2022 amounts. These decreases were due primarily to year over year decreases in miscellaneous income.
- Source of supply – Actual expenses for 2024 were 12.71% greater than those for 2023 and expenses for 2023 were 375.06% greater than those for 2022. These variances of \$47,110 and \$292,621 for 2024 and 2023, respectively, were due, in part, to inflation and an increased cost for parts and materials.
- Power and pumping – Actual expenses for 2024 were 3.30% more than those for 2023. This variance of \$38,637 was due, in part, to an increase in pump repairs and electrical and control work at the plants. Actual expenses for 2023 were 19.60% less than those for 2022. This variance of \$285,567 was due, in part, to a decrease in pump repairs and electrical and control work at the plants.
- Purification and treatment – Actual expenses for 2024 were 1.59% greater than those for 2023 and for 2023 were 21.65% greater than those for 2022. These variances of \$25,443 and \$285,292 for 2024 and 2023, respectively, were due in part to year over year increases in chemical costs.
- Transmission and distribution – Actual expenses for 2024 were 29.00% greater than those for 2023 and for 2023 were 8.09% greater than those for 2022. These variances of \$429,517 and \$110,822 for 2024 and 2023, respectively, were due, in part, to year over year increases in repairs expense and labor expense due to a CPI increase and several employees upgrading their license certifications, which resulted in raises.
- Administrative and general – Actual expenses for 2024 were 29.07% greater than those for 2023 and for 2023 were 5.57% greater than those for 2022. These variances of \$657,483 and \$119,302 for 2024 and 2023, respectively, were due, in part, to year over year increases in labor due to a CPI increase, insurance, and benefits expense.

Capital Assets

The accounts of the Utility are accounted for as an enterprise fund, which is considered a proprietary fund type using the accrual basis of accounting. Depreciation is recorded on all fixed assets. During the year, no changes were made in the method of recording fixed assets, nor were there any changes made to any of the standard service lives of those assets. There were no significant changes in the condition of infrastructure assets. There is

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Management's Discussion and Analysis
June 30, 2024 and 2023

no significant difference between the estimated annual amounts to maintain the infrastructure compared to the amounts actually spent.

Key additions to capital assets during 2024 include the Pioneer Acres Gravity Sewer Interceptor, Country Garden Lane Waterline Extension, and the Denali Water Sol Sludge Removal project at the Sewer Plant. There were no significant construction in progress projects ongoing during 2024. The Sewer Plant had a significant construction in progress project ongoing at the start of 2023 and was completed and placed into service by June 30, 2023. The remaining capital asset additions during 2023 included water line additions and various equipment for the water plant.

Bond Issues

The City of Searcy, Arkansas (City) authorized the issuance of Water and Sewer Revenue Bonds, Series 2010A, in September 2010, totaling \$14,250,000. The Bonds were authorized in order to finance extensions, betterments, and improvements to the water facilities of the City's water and sewer system.

The City issued Water and Sewer Revenue Bonds, Series 2020, in March 2021, totaling \$4,000,000. The Bonds were authorized in order to finance betterments and improvements to the sewer facilities of the City's water and sewer system.

The City issued Water and Sewer Revenue Bonds, Series 2022, in September 2022, totaling \$950,000. The Bonds were authorized in order to finance betterments and improvements to the sewer facilities of the City's water and sewer system.

Decreases in debt during fiscal years 2024 and 2023 were related to required principal payments on outstanding obligations.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,993,570	\$ 9,373,737
Certificates of deposit	2,288,989	2,287,291
Accounts receivable	1,185,497	1,344,048
Supplies	569,172	726,996
Prepaid insurance	155,897	152,914
Total Current Assets	<u>15,193,125</u>	<u>13,884,986</u>
Noncurrent Assets		
Restricted cash and cash equivalents		
Depreciation	683,957	885,502
Bond and interest	250,156	378,730
Customer meter deposits	1,132,705	1,066,602
Construction	771,772	1,154,572
Total restricted cash and cash equivalents	<u>2,838,590</u>	<u>3,485,406</u>
Capital assets		
Water plant - property and equipment	64,321,477	63,773,252
Sewer plant - property and equipment	44,304,316	42,789,705
Construction in progress	33,127	33,127
Less depreciation	(42,778,098)	(40,434,798)
Total capital assets	<u>65,880,822</u>	<u>66,161,286</u>
Total Noncurrent Assets	<u>68,719,412</u>	<u>69,646,692</u>
Total Assets	<u>83,912,537</u>	<u>83,531,678</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,002,673	815,977
Accrued interest	43,325	50,367
Garbage collections	143,237	281,933
Current maturities of long-term liabilities	1,260,696	1,206,536
Total Current Liabilities	<u>2,449,931</u>	<u>2,354,813</u>
Long-Term Liabilities		
Bonds payable, net	8,844,322	10,050,858
Less current maturities	(1,260,696)	(1,206,536)
Customers' meter deposits	1,079,475	1,043,015
Total Long-Term Liabilities	<u>8,663,101</u>	<u>9,887,337</u>
Total Liabilities	<u>11,113,032</u>	<u>12,242,150</u>
NET POSITION		
Net investment in capital assets	57,036,500	56,110,427
Restricted	1,864,942	2,715,420
Unrestricted	13,898,063	12,463,681
Total Net Position	<u>\$ 72,799,505</u>	<u>\$ 71,289,528</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Water revenue	\$ 7,594,719	\$ 7,327,493
Sewer revenue	4,070,087	3,878,937
Pretreatment surcharge	113,041	89,893
Penalties	200,275	224,279
Connection fees	173,154	326,428
Other operating revenues	<u>131,700</u>	<u>250,134</u>
Total Operating Revenues	<u>12,282,976</u>	<u>12,097,164</u>
Operating Expenses		
Operations	8,085,915	6,887,725
Depreciation	<u>2,343,300</u>	<u>2,322,744</u>
Total Operating Expenses	<u>10,429,215</u>	<u>9,210,469</u>
Operating Income	<u>1,853,761</u>	<u>2,886,695</u>
Nonoperating Revenues (Expenses)		
Interest revenue	343,883	105,215
Interest expense and service fees	(208,829)	(285,399)
Payment in lieu of taxes to Searcy School District	(12,000)	(1,000)
City of Searcy, Arkansas	<u>(466,838)</u>	<u>(405,298)</u>
Total Nonoperating Revenues (Expenses)	<u>(343,784)</u>	<u>(586,482)</u>
Increase in Net Position	1,509,977	2,300,213
Net Position, Beginning of Year	<u>71,289,528</u>	<u>68,989,315</u>
Net Position, End of Year	<u>\$ 72,799,505</u>	<u>\$ 71,289,528</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 12,441,527	\$ 11,929,230
Cash paid to suppliers for goods or services	(4,645,258)	(3,603,103)
Cash paid to employees for services	<u>(3,237,816)</u>	<u>(3,168,693)</u>
Net Cash Provided by Operating Activities	<u>4,558,453</u>	<u>5,157,434</u>
Cash Flows from Noncapital Financing Activities		
Intergovernmental payments	<u>(478,838)</u>	<u>(406,298)</u>
Net Cash Used in Noncapital Financing Activities	<u>(478,838)</u>	<u>(406,298)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of long-term liabilities	-	950,000
Principal payments on long-term liabilities	(1,206,536)	(990,876)
Interest on long-term liabilities	(215,871)	(235,032)
Purchase of capital assets	<u>(2,062,836)</u>	<u>(1,761,703)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,485,243)</u>	<u>(2,037,611)</u>
Cash Flows from Investing Activities		
Investment income	342,185	105,215
Purchases of certificates of deposit	-	(995,640)
Proceeds from sale of certificates of deposit	-	1,731,869
Increase in meter deposits	<u>36,460</u>	<u>29,934</u>
Net Cash Provided by Investing Activities	<u>378,645</u>	<u>871,378</u>
Increase in Cash and Cash Equivalents	973,017	3,584,903
Cash and Cash Equivalents, Beginning of Year	<u>12,859,143</u>	<u>9,274,240</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,832,160</u>	<u>\$ 12,859,143</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 10,993,570	\$ 9,373,737
Restricted cash and cash equivalents	<u>2,838,590</u>	<u>3,485,406</u>
	<u>\$ 13,832,160</u>	<u>\$ 12,859,143</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,853,761	\$ 2,886,695
Adjustments to reconcile operating income to net cash provided by operations		
Depreciation	2,343,300	2,322,744
Accounts receivable	158,551	(167,934)
Supplies	157,824	(213,262)
Prepaid insurance	(2,983)	(26,699)
Accounts payable	186,696	229,904
Garbage collections	(138,696)	125,986
Net Cash Provided by Operating Activities	<u>\$ 4,558,453</u>	<u>\$ 5,157,434</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies

Searcy Water Utilities (Utility) is an enterprise fund of the City of Searcy, Arkansas (City) that provides water and sewer services to the City and the surrounding area. The City's financial report is prepared by state legislative audit.

The Utility serves substantially all of the industries and households in the City and some outside the City. Water is supplied to the City of Kensett, City of Judsonia, Southeast White County Water Association Public Water Authority, Four Mile Hill Rural Water Public Facilities Board, North White County Rural Water Public Facilities Board, Southwest White County Water Association, and Northeast White County Waterworks Public Facilities Board. Northeast White County Waterworks Public Facilities Board sells water wholesale to the City of Bald Knob, Arkansas; the Town of Russell, Arkansas; and the Bald Knob North Water Association, Inc.

The financial statements of the Utility are prepared in accordance with accounting principles generally accepted in the United States of American (U.S. GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as other revenue (expense) but remain a major component of the overall revenues and expenses of the Utility.

Estimates and assumptions are used in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash includes cash on hand, amounts due from banks, and cash held in bank trust department safekeeping accounts in the Utility's name. Any short-term investments and certificates of deposit purchased with original maturities of three months or less are considered cash equivalents.

Generally accepted accounting principles prescribed by GASB require that the Utility's investments be measured at fair value and non-negotiable CDs be measured at cost. Fair value measurements are categorized according to a hierarchy that is based on valuation inputs used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable.

Detailed information about the Utility's investments and their respective fair value measurements is provided in Note 2 to the financial statements.

Purchases and sales of investments are reported on a trade-date basis. Realized gains and losses resulting from investment sales, as well as unrealized gains and losses resulting from changes in the fair values of investments held are reported as investment income on the accompanying statements of revenues, expenses, and changes in net position. Dividends and capital gain distributions are recorded as investment income on the ex-dividend date.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

Inventories consist of repair materials and spare parts for water and wastewater treatment and distribution. Inventories are valued at average cost or market, whichever is lower.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

Capital assets are valued at cost for the water system. The sewer system is stated in accordance with an appraisal of existing plant at June 30, 1948, made by Mehlburger Engineers, Inc., plus additions at cost since the appraisal date. Depreciation of property and equipment is provided using the straight-line method at rates based on the following estimated useful lives:

Machinery and equipment	5 to 50 years
Furniture and fixtures	5 to 10 years
Buildings	40 to 50 years
Water tanks and basins	50 years
Mains and lines	100 years

Additions installed in place by customers and developers and contributed to the Utility are valued at acquisition value, substantially the cost to the developers. Such costs are amortized over 20 to 100 years, the estimated useful lives, on a straight-line basis.

The depreciation provision charged as an operating expense for the years ended June 30, 2024 and 2023 was \$2,343,300 and \$2,322,744, respectively. These amounts include depreciation on assets acquired by the Utility as well as those contributed to the Utility.

Accounts receivable consists of credit extended to users in the normal course of business. Management reviews accounts quarterly and if amounts are considered uncollectible, they are charged to operations. Based on management’s assessment of the credit history with customers having outstanding balances and current relationships with them, they have concluded that realization losses, if any, on balances outstanding at year-end will be immaterial.

As a special purpose governmental utility, the Utility is exempt from federal and state income taxes.

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds attributable to the acquisition, construction, or improvement of these assets. This classification also includes construction fund balances.
- Restricted net position – Consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position – All other net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

When both restricted and unrestricted resources are available for use, it is the Searcy Board of Public Utilities’ policy to use restricted funds first, then the unrestricted resources as needed.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

The book values of cash, trade accounts receivable, accounts payable, and other financial instruments approximate their fair values principally because of the short-term maturities of these instruments. The fair value of long-term debt is estimated based on current rates for debt of similar terms and maturities. Under this method, the fair value of long-term debt was not significantly different from the stated value at June 30, 2024 and 2023.

Note 2. Deposits and Investments

The Utility’s investment policy allows investments only in:

- Obligations of the United States or its agencies and instrumentalities;
- Certificates of deposit or time deposits of banks to the extent insured by the FDIC or collateralized with obligations of the United States or its agencies and instrumentalities.

Concentration Of Credit Risk

Financial instruments which potentially subject the Utility to concentrations of credit risk consist primarily of trade receivables with a variety of customers and cash and cash investments deposited with financial institutions.

Concentrations of credit risk with respect to accounts receivable are limited due to the Utility’s customer base being made up of a large number of customers, thus spreading the trade credit risk. The Utility performs ongoing credit evaluations of its customers but generally does not require collateral to support accounts receivable.

Cash on Deposit – Credit Risk

The bank balances, including certificates of deposit, of \$16,186,935 and \$15,468,450 at June 30, 2024 and 2023, respectively, were not fully protected by FDIC coverage and/or pledged collateral. The Utility has had no loss related to credit risk.

Note 3. Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use by bond requirements and also by the Searcy Board of Public Utilities for future capital expenditures and repayment of consumer deposits. Restricted asset balances as of June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Bond requirements	\$ 250,156	\$ 378,730
Future capital expenditures	1,455,729	2,040,074
Customer deposits	<u>1,132,705</u>	<u>1,066,602</u>
Total	<u>\$ 2,838,590</u>	<u>\$ 3,485,406</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

Note 4. Capital Assets

Capital asset balances and activity by major functional classification for the years ended June 30, 2024 and 2023 consisted of the following:

	Balance at 6/30/23	Increases	Decreases	Transfers	Balance at 6/30/2024
Land and land rights - water	\$ 653,819	\$ -	\$ -	\$ -	\$ 653,819
Structures - water	35,106,677	-	-	-	35,106,677
Mains and lines - water	21,795,405	414,677	-	-	22,210,082
Vehicles - water	479,124	103,485	-	-	582,609
Equipment - water	5,230,686	30,063	-	-	5,260,749
Office furniture - water	507,529	-	-	-	507,529
Plant - sewer	33,595,518	1,329,613	-	-	34,925,131
Plant and line - sewer	9,194,199	184,998	-	-	9,379,197
Construction in process	33,127	-	-	-	33,127
Total capital assets	<u>106,596,084</u>	<u>2,062,836</u>	<u>-</u>	<u>-</u>	<u>108,658,920</u>
Accumulated depreciation	<u>(40,434,798)</u>	<u>(2,343,300)</u>	<u>-</u>	<u>-</u>	<u>(42,778,098)</u>
Capital assets, net	<u>\$ 66,161,286</u>	<u>\$ (280,464)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,880,822</u>

	Balance at 6/30/22	Increases	Decreases	Transfers	Balance at 6/30/2023
Land and land rights - water	\$ 653,819	\$ -	\$ -	\$ -	\$ 653,819
Structures - water	34,969,517	137,160	-	-	35,106,677
Mains and lines - water	21,787,363	8,042	-	-	21,795,405
Vehicles - water	479,124	-	-	-	479,124
Equipment - water	5,011,197	219,489	-	-	5,230,686
Office furniture - water	507,529	-	-	-	507,529
Plant - sewer	27,567,880	246,011	-	5,781,627	33,595,518
Plant and line - sewer	9,194,199	-	-	-	9,194,199
Construction in process	4,663,753	1,151,001	-	(5,781,627)	33,127
Total capital assets	<u>104,834,381</u>	<u>1,761,703</u>	<u>-</u>	<u>-</u>	<u>106,596,084</u>
Accumulated depreciation	<u>(38,112,054)</u>	<u>(2,322,744)</u>	<u>-</u>	<u>-</u>	<u>(40,434,798)</u>
Capital assets, net	<u>\$ 66,722,327</u>	<u>\$ (561,041)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,161,286</u>

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the years ended June 30, 2024 and 2023 consisted of the following:

	<u>Balance at 6/30/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/2024</u>	<u>Due Within One Year</u>	<u>Due in Excess of One Year</u>
Revenue bonds	\$10,050,858	\$ -	\$ (1,206,536)	\$ 8,844,322	\$ 1,260,696	\$ 7,583,626
Customer deposits	1,043,015	98,100	(61,640)	1,079,475	-	1,079,475
Total long-term liabilities	<u>\$11,093,873</u>	<u>\$ 98,100</u>	<u>\$ (1,268,176)</u>	<u>\$ 9,923,797</u>	<u>\$ 1,260,696</u>	<u>\$ 8,663,101</u>

	<u>Balance at 6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/2023</u>	<u>Due Within One Year</u>	<u>Due in Excess of One Year</u>
Revenue bonds	\$10,091,734	\$ 950,000	\$ (990,876)	\$10,050,858	\$ 1,206,536	\$ 8,844,322
Customer deposits	1,013,081	66,838	(36,904)	1,043,015	-	1,043,015
Total long-term liabilities	<u>\$11,104,815</u>	<u>\$ 1,016,838</u>	<u>\$ (1,027,780)</u>	<u>\$11,093,873</u>	<u>\$ 1,206,536</u>	<u>\$ 9,887,337</u>

Bonds payable at June 30, 2024 and 2023 were as follows:

- 2010A Water and Sewer Revenue Bonds – The City authorized the issuance of \$14,250,000 of bonds to finance the cost of construction of improvements to the water plant. The 2010A Series Bonds are special obligations of the Issuer payable solely from the net revenues of the Utility and other amounts available under the Indenture. Principal payments are due semiannually on April 15 and October 15 beginning in 2014 with the final payment scheduled in 2028. Interest payments on the outstanding balance are due semiannually on April 15 and October 15 beginning in 2011 at a rate of 2% plus a 1% service fee.
- 2020 Water and Sewer Revenue Bonds – The City authorized the issuance of \$4,000,000 of bonds to finance the cost of constructing betterments and improvements to the sewer facilities of the water and sewer system of the City. The 2020 Series Bonds are special obligations of the Issuer payable solely from the revenues derived from the operation of the system. Principal payments are due semiannually on April 15 and October 15 beginning in October 2022 with final payment scheduled in April 2042. Interest payments on the outstanding balance are due semiannually on April 15 and October 15 beginning in April 2021 at a rate of 0.75% plus a 1% service fee.
- 2022 Water and Sewer Revenue Bonds – The City authorized the issuance of \$950,000 of bonds to finance the cost of constructing betterments and improvements to the sewer facilities of the water and sewer system of the City. The 2022 Series Bonds are special obligations of the Issuer payable solely from the revenues derived from the operation of the system. Principal payments are due semiannually on April 15 and October 15 beginning in April 2024 with final payment scheduled in October 2043. Interest payments on the outstanding balance are due semiannually on April 15 and October 15 beginning in April 2024 at a rate of 1.75% plus a 1% service fee.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

The following schedule shows the annual debt service of the revenue bonds outstanding at June 30, 2024:

Year Ending June 30,	Principal	Interest	Service Fee	Total
2025	\$ 1,260,696	\$ 128,048	\$ 92,376	\$ 1,481,120
2026	1,296,081	105,358	79,681	1,481,120
2027	1,332,488	82,002	66,631	1,481,121
2028	1,248,251	57,963	53,214	1,359,428
2029	230,539	27,371	36,495	294,405
2030–2034	1,214,922	110,186	146,913	1,472,021
2035–2039	1,325,513	62,789	83,719	1,472,021
2040–2044	935,832	13,771	18,361	967,964
	<u>\$ 8,844,322</u>	<u>\$ 587,488</u>	<u>\$ 577,390</u>	<u>\$ 10,009,200</u>

The Utility incurred \$208,829 and \$285,399 in interest and service fees for the years ended June 30, 2024 and 2023, respectively.

Compensated Absences

The Utility provides paid vacation for all full-time employees. All full-time employees may take vacation after they have completed one year of full-time employment with the Utility. Unused accrued vacation is paid at the end of the year following the year in which it accrues. Compensated absences amount to \$84,163 and \$80,781 as of June 30, 2024 and 2023, respectively.

Note 6. Retirement Plans

The Utility participates in two retirement plans that cover the employees of the Utility. The Searcy Board of Public Utilities amended and restated the Searcy Board of Public Utilities Money Purchase Pension Plan into the Searcy Board of Public Utilities Profit Sharing Plan (Plan) effective July 1, 2006. The Plan is a defined contribution pension plan that provides for the Utility to make an annual contribution to the Plan equal to 7% of each participant's compensation. Only employees who were participants in the Money Purchase Pension Plan may be participants in the Plan. The Plan provides for a graduated vesting schedule over six years. The Utility contributed \$55,985 and \$54,499 to the Plan for the years ended June 30, 2024 and 2023, respectively.

The Searcy Board of Public Utilities adopted The Searcy Board of Public Utilities 457 Retirement Savings Plan (457 Plan) on July 1, 2006. The 457 Plan is a defined contribution pension plan that provides for an employee participant to defer an amount from 1% to 50% of covered wages.

Any employer contribution, whether the 7% non-elective contribution or the 3% employer match, goes into the Plan. All employee deferrals go into the 457 Plan. Employee participants contributed \$80,022 and \$76,226 of deferred wages and the Utility contributed \$50,297 and \$48,686 of matching amounts to the respective plans for the years ended June 30, 2024 and 2023, respectively.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Notes to Financial Statements
June 30, 2024 and 2023

Note 7. Risk Management

The Utility is exposed to potential loss due to accident or casualty for property, general liability, automobile, theft, and workers compensation claims. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. Under state law, the Utility is protected by tort immunity.

The Utility provides for employee medical and dental coverage with optional dependent coverage paid by the employee.

Note 8. Rates

The Searcy city council approved an annual water and sewer rate increase linked to the CPI, which is effective every July 1.

The current rate structure for water service is as follows:

Rates – 6/30/2024	
Water Service	
Customer charge (per month)	\$10.53
All water	\$2.42/1,000 Gallons
**Wholesale rates vary according to customer from \$2.42 to \$2.52 per 1,000 gallons increasing to \$3.37 per 1,000 gallons after reaching a predetermined usage, which also varies according to customer.	
Sewer Service	
Residential customer charge (per month)	\$11.15
Commercial/industrial customer charge (per month)	\$22.82
All sewer, as per water consumed	\$3.72/1,000 Gallons
Rates – 6/30/2023	
Water Service	
Customer charge (per month)	\$10.22
All water	\$2.35/1,000 Gallons
**Wholesale rates vary according to customer from \$2.35 to \$2.45 per 1,000 gallons increasing to \$3.08 per 1,000 gallons after reaching a predetermined usage, which also varies according to customer.	
Sewer Service	
Residential customer charge (per month)	\$10.83
Commercial/industrial customer charge (per month)	\$22.15
All sewer, as per water consumed	\$3.61/1,000 Gallons

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Supplementary Information

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Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Analysis of Operating Revenues and Expenses
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Water revenue	\$ 7,594,719	\$ 7,327,493
Sewer revenue	4,070,087	3,878,937
Pretreatment surcharge	113,041	89,893
Penalties	200,275	224,279
Connection fees	173,154	326,428
Other operating income	131,700	250,134
Total Operating Revenues	<u>12,282,976</u>	<u>12,097,164</u>
Operating Expenses		
Source of supply	417,751	370,641
Power and pumping	1,210,323	1,171,686
Purification and treatment	1,628,192	1,602,749
Transmission and distribution	1,910,723	1,481,206
Administrative and general	2,918,926	2,261,443
Total Operating Expenses	<u>8,085,915</u>	<u>6,887,725</u>
Excess of Revenues over Expenses	<u>\$ 4,197,061</u>	<u>\$ 5,209,439</u>
Elements of Expenses*		
Salaries and wages	\$ 2,671,327	\$ 2,442,815
Materials and supplies	2,280,845	1,762,285
Repairs and maintenance	494,042	482,788
Power purchases	905,521	727,369
Vehicle and tractor expense	110,821	135,565
Office supplies and postage	179,184	160,311
Bad debts	13,738	22,356
Professional services	286,027	258,040
EPA testing	61,127	42,546
Insurance	669,587	582,087
Payroll taxes	188,985	168,378
Retirement plan	224,711	103,185
Total Operating Expenses*	<u>\$ 8,085,915</u>	<u>\$ 6,887,725</u>

*Excludes depreciation

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Bond and Interest Requirements
June 30, 2024

Bond and Interest Requirements – 2010A Bond Issue

<u>Fiscal Year Ending June 30,</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Principal</u>	<u>Bonds Outstanding</u>
2024	\$ -	\$ -	\$ -	\$ 4,254,497
2025	94,026	47,013	1,045,677	3,208,820
2026	72,956	36,478	1,077,282	2,131,538
2027	51,248	25,624	1,109,844	1,021,694
2028	28,886	14,443	1,021,694	-
Total debt service	<u>\$ 247,116</u>	<u>\$ 123,558</u>	<u>\$ 4,254,497</u>	

Bond and Interest Requirements – 2020 Bond Issue

<u>Fiscal Year Ending June 30,</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Principal</u>	<u>Bonds Outstanding</u>
2024	\$ -	\$ -	\$ -	\$ 3,659,763
2025	27,122	36,163	174,617	3,485,146
2026	25,807	34,409	177,686	3,307,460
2027	24,468	32,625	180,810	3,126,650
2028	23,106	30,809	183,988	2,942,662
2029	21,720	28,961	187,222	2,755,440
2030	20,310	27,080	190,512	2,564,928
2031	18,875	25,167	193,860	2,371,068
2032	17,415	23,220	197,268	2,173,800
2033	15,929	21,238	200,735	1,973,065
2034	14,417	19,222	204,263	1,768,802
2035	12,878	17,171	207,853	1,560,949
2036	11,312	15,083	211,506	1,349,443
2037	9,720	12,958	215,225	1,134,218
2038	8,098	10,797	219,008	915,210
2039	6,448	8,597	222,857	692,353
2040	4,769	6,359	226,774	465,579
2041	3,061	4,081	230,759	234,820
2042	1,323	1,764	234,820	-
Total debt service	<u>\$ 266,778</u>	<u>\$ 355,704</u>	<u>\$ 3,659,763</u>	

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Bond and Interest Requirements
June 30, 2024

(Continued)

Bond and Interest Requirements – 2022 Bond Issue				
Fiscal Year Ending June 30,	Interest	Service Fee	Principal	Bonds Outstanding
2024	\$ -	\$ -	\$ -	\$ 930,062
2025	6,900	9,200	40,402	889,660
2026	6,595	8,794	41,113	848,547
2027	6,286	8,382	41,834	806,713
2028	5,971	7,962	42,569	764,144
2029	5,651	7,534	43,317	720,827
2030	5,324	7,098	44,080	676,747
2031	4,992	6,656	44,854	631,893
2032	4,654	6,205	45,643	586,250
2033	4,310	5,747	46,445	539,805
2034	3,960	5,280	47,262	492,543
2035	3,604	4,806	48,092	444,451
2036	3,242	4,322	48,938	395,513
2037	2,873	3,832	49,797	345,716
2038	2,498	3,331	50,673	295,043
2039	2,116	2,822	51,564	243,479
2040	1,728	2,304	52,470	191,009
2041	1,333	1,777	53,392	137,617
2042	931	1,241	54,330	83,287
2043	521	695	55,286	28,001
2044	105	140	28,001	-
Total debt service	\$ 73,594	\$ 98,128	\$ 930,062	

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Net Revenue Coverage of Bond Payments
Year Ended June 30, 2024

Revenues	
Operating	\$ 12,282,976
Other	343,883
	<hr/>
Total Revenues	<u>12,626,859</u>
Expenses	
Operating	8,085,915
Other*	478,838
	<hr/>
Total Expenses	<u>8,564,753</u>
Net Revenues	<u>\$ 4,062,106</u>
Maximum Annual Principal and Interest Requirements on Outstanding Utilities Bonds	<u>\$ 1,481,121</u>
Coverage	<u>274%</u>

*Other expenses shown do not include depreciation, interest paid on bonds, or amortization of bond discount.

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Departmental Revenues and Expenses
Years Ended June 30, 2024 and 2023

	Water Department		Sewer Department		Total Utility	
	2024	2023	2024	2023	2024	2023
Operating Revenues						
Customer charges	\$ 7,594,719	\$ 7,327,493	\$ 4,070,087	\$ 3,878,937	\$ 11,664,806	\$ 11,206,430
Pretreatment surcharge	-	-	113,041	89,893	113,041	89,893
Penalties	200,275	224,279	-	-	200,275	224,279
Connection fees	158,104	311,753	15,050	14,675	173,154	326,428
Other operating income	90,282	226,714	41,418	23,420	131,700	250,134
Total Operating Revenues	8,043,380	8,090,239	4,239,596	4,006,925	12,282,976	12,097,164
Operating Expenses						
Salaries and wages	1,121,164	1,000,361	1,550,163	1,442,454	2,671,327	2,442,815
Materials and supplies	1,642,973	1,314,643	637,872	447,642	2,280,845	1,762,285
Repairs and maintenance	149,071	213,879	344,971	268,909	494,042	482,788
Power purchases	397,004	245,800	508,517	481,569	905,521	727,369
Vehicle and tractor expense	55,316	60,355	55,505	75,210	110,821	135,565
Office supplies and postage	169,907	150,046	9,277	10,265	179,184	160,311
Bad debts	6,869	11,178	6,869	11,178	13,738	22,356
Professional services	258,032	167,956	27,995	39,173	286,027	207,129
EPA testing	-	-	61,127	42,546	61,127	42,546
Insurance	496,242	487,937	173,345	94,150	669,587	582,087
Payroll taxes	79,832	68,547	109,153	99,831	188,985	168,378
Retirement plan	125,501	74,259	99,210	79,837	224,711	154,096
Depreciation expense	1,450,026	1,439,748	893,274	882,996	2,343,300	2,322,744
Total Operating Expenses	5,951,937	5,234,709	4,477,278	3,975,760	10,429,215	9,210,469
Operating Income	2,091,443	2,855,530	(237,682)	31,165	1,853,761	2,886,695
Nonoperating Revenues (Expenses)						
Interest revenue	343,883	105,215	-	-	343,883	105,215
Interest paid on bonds	(135,388)	(197,667)	(73,441)	(87,732)	(208,829)	(285,399)
Payment in lieu of taxes to						
Searcy School District	(6,000)	(500)	(6,000)	(500)	(12,000)	(1,000)
City of Searcy, Arkansas	(304,040)	(264,314)	(162,798)	(140,984)	(466,838)	(405,298)
Total Nonoperating Revenues (Expenses)	(101,545)	(357,266)	(242,239)	(229,216)	(343,784)	(586,482)
Net Income⁽¹⁾	\$ 1,989,898	\$ 2,498,264	\$ (479,921)	\$ (198,051)	\$ 1,509,977	\$ 2,300,213

⁽¹⁾ Excludes contributed capital, if any

Searcy Water Utilities
An Enterprise Fund of the City of Searcy, Arkansas
Comparative Analysis of Operating Revenues and Expenses
Years Ended June 30, 2024 and 2023

	2024			2023		
	Number of Connections June 30	Consumption in 1,000 Gallons	Revenues and Expenses	Number of Connections June 30	Consumption in 1,000 Gallons	Revenues and Expenses
Operating Revenues						
Water revenue						
Residential	10,303	763,298	\$ 3,258,551	9,975	770,860	\$ 3,130,930
Commercial	1,415	389,921	1,142,908	1,370	369,216	1,055,955
Industrial	15	77,431	183,884	15	87,932	201,819
Wholesale	11	1,250,991	2,978,542	11	1,238,831	2,895,858
Gas industry	15	579	2,136	14	1,544	5,836
Adjustments	-	-	28,698	-	-	37,095
	<u>11,759</u>	<u>2,482,220</u>	<u>7,594,719</u>	<u>11,385</u>	<u>2,468,383</u>	<u>7,327,493</u>
Sewer revenue						
Residential	7,387	361,736	2,465,574	7,238	353,014	2,336,547
Commercial	1,026	264,078	1,307,787	1,005	252,155	1,217,337
Industrial	10	76,256	278,164	10	86,896	304,526
Adjustments	-	-	18,562	-	-	20,527
	<u>8,423</u>	<u>702,070</u>	<u>4,070,087</u>	<u>8,253</u>	<u>692,065</u>	<u>3,878,937</u>
Pretreatment surcharge	-	-	113,041	-	-	89,893
Penalties	-	-	200,275	-	-	224,279
Connection fees	-	-	173,154	-	-	326,428
Other operating revenues	-	-	131,700	-	-	250,134
Total Operating Revenues	<u>20,182</u>	<u>3,184,290</u>	<u>12,282,976</u>	<u>19,638</u>	<u>3,160,448</u>	<u>12,097,164</u>
Operating Expenses ⁽¹⁾						
Source of supply	-	-	417,751	-	-	370,641
Power and pumping	-	-	1,210,323	-	-	1,171,686
Purification and treatment	-	-	1,628,192	-	-	1,602,749
Transmission and distribution	-	-	1,910,723	-	-	1,481,206
Administrative and general	-	-	2,918,926	-	-	2,261,443
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>8,085,915</u>	<u>-</u>	<u>-</u>	<u>6,887,725</u>
Operating Income, Net	<u>20,182</u>	<u>3,184,290</u>	<u>\$ 4,197,061</u>	<u>19,638</u>	<u>3,160,448</u>	<u>\$ 5,209,439</u>
Elements of Expenses ⁽¹⁾						
Salaries and wages	-	-	\$ 2,671,327	-	-	\$ 2,442,815
Materials and supplies	-	-	2,280,845	-	-	1,762,285
Repairs and maintenance	-	-	494,042	-	-	482,788
Power purchases	-	-	905,521	-	-	727,369
Vehicle and tractor expense	-	-	110,821	-	-	135,565
Office supplies and postage	-	-	179,184	-	-	160,311
Bad debts	-	-	13,738	-	-	22,356
Professional services	-	-	286,027	-	-	258,040
EPA testing	-	-	61,127	-	-	42,546
Insurance	-	-	669,587	-	-	582,087
Payroll taxes	-	-	188,985	-	-	168,378
Retirement plan	-	-	224,711	-	-	103,185
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>\$ 8,085,915</u>	<u>-</u>	<u>-</u>	<u>\$ 6,887,725</u>

⁽¹⁾ Excludes depreciation expense

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*

Independent Auditor's Report

Searcy Board of Public Utilities
Searcy Water Utilities
Searcy, 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 (*Government Auditing Standards*), the financial statements of Searcy Water Utilities (Utility), which comprise the Utility's statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 the Utility'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.

Forvis Mazars, LLP

**Rogers, Arkansas
October 21, 2024**