

CABOT WATERWORKS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2023 and 2022

CONTENTS

	<u>Page Number</u>
Financial Statements:	
Independent Auditors' Report.....	1 – 4
Management's Discussion and Analysis	5 - 8
Statements of Net Position.....	9
Statements of Revenues, Expenses, and Net Position	10 - 11
Statements of Cash Flows.....	12 - 13
Notes to Financial Statements.....	14 – 37
Required Supplementary Information:	
Budgetary Comparison Schedule.....	38
Other Supplementary Information:	
Schedule of Net Operating Revenue and Expenses by Department	39
Schedule of Debt Service Requirements – 2020A Bond Issue.....	40
Schedule of Debt Service Requirements – 2020B Bond Issue	41
Schedule of Debt Service Requirements – 2020C Bond Issue	42
Schedule of Information Required by Arkansas Natural Resources Commission	43
Schedule of Insurance Coverage.....	44
Schedules of Restricted Assets	45

CONTENTS (CONTINUED)

	<u>Page Number</u>
Other Required Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 - 47

COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

650 S. Shackelford Road • Suite 400 • P. O. Box 21675 • Little Rock, Arkansas 72221-1675
(501) 225-2133 • Fax (501) 223-2839

Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

Cabot Water and Wastewater Commission
Cabot, Arkansas

Opinions

We have audited the accompanying financial statements of Cabot Water and Wastewater Commission as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Cabot Water and Wastewater Commission'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 governmental activities of the Cabot Water and Wastewater Commission as of December 31, 2023 and 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cabot Water and Wastewater Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management of 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 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 Cabot Water and Wastewater Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 misstatements, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In performing an audit in accordance with generally accepted 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 Cabot Water and Wastewater Commission'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 aggregate, that raise substantial doubt about Cabot Water and Wastewater Commission'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 and budgetary comparison information on pages 5 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cabot Water and Wastewater Commission's basic financial statements. The accompanying supplementary schedules listed in the table of contents 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 other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cabot Water and Wastewater Commission
Cabot, Arkansas
Page Four

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 on our consideration of Cabot Water and Wastewater Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cabot Water and Wastewater Commission's internal control over financial reporting and compliance.

Cobb and Suskie, Ltd.

Certified Public Accountants
May 24, 2024

CABOT WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

This section presents management's analysis of the financial condition and activities of the Cabot WaterWorks (the Utility) for the year ended December 31, 2023. Cabot WaterWorks operates under the direction of the Cabot Water and Wastewater Commission, which assumed operation of the Cabot Water and Wastewater Department from the City of Cabot effective January 1, 2006.

Financial Highlights

Management believes Cabot WaterWorks' financial condition is stable. The Utility is within its debt covenants and financial policies and guidelines set by the board. The following are key financial highlights:

- Total assets and deferred outflows of resources at year-end were \$88,768,334 and exceeded liabilities and deferred inflows of resources in the amount of \$80,020,838 an increase of \$3,746,891 from 2022. Total assets at December 31, 2022 amounted to \$85,609,046 and exceeded liabilities in the amount of \$76,273,942, an increase of \$1,793,205 from 2021.
- Operating revenue for 2023 amounted to \$6,564,162. This was an increase of \$205,925, or 3.2% from 2022, for which the operating revenue of \$6,358,237 represented an increase of \$50,242, or 0.8% from 2021.
- Operating expenses in 2023 were \$7,533,850, an increase of \$936,599 or 14.2% from 2022. For 2022, the operating expenses of \$6,597,251, an increase of \$551,821, or 9.1% from 2021.
- Net operating income (loss) was \$(969,688), in 2023 and \$(239,014) in 2022, representing a net earnings decrease in 2023 of \$730,674 from 2022. For 2022, net operating income increased by \$481,579 from 2021.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of Cabot WaterWorks' financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the Utility on an accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of activities presents the results of the business activities over the course of the fiscal year, as well as information as to how the net assets changed during the year.

CABOT WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flow presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, or when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. Supplementary information comparing the budget to actual expenses is provided.

The Utility adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year ended December 31, 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

Summary of Organization and Business

The Utility provides retail water and wastewater collection and treatment services to customers within the corporate limits of Cabot, Arkansas.

The facilities of the Utility include water and sewage treatment plants acquired or contracted at a cost of \$105.6 million.

The Utility operates under the direction of the Cabot Water and Wastewater Commission, which assumed the operations of its predecessor, the Cabot Water and Wastewater Department in January 2006.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operating expenses are funded by customer revenue, and the acquisition and construction of capital assets are funded by water and sewer revenue bonds.

Financial Analysis

The financial statements from pages 9 through 13 and other selected information listed below serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

CABOT WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Other Selected Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Selected data for analysis:			
Customers at year end	11,376	11,148	11,059
Revenues:			
Utility Revenues	\$ 6,564,162	\$ 6,358,237	\$ 6,307,995
Total Revenues	<u>\$ 6,564,162</u>	<u>\$ 6,358,237</u>	<u>\$ 6,307,995</u>
Operating Expenses:			
Expenses excluding depreciation and amortization	\$ 4,635,746	\$ 3,771,269	\$ 3,299,639
Depreciation and Amortization	2,898,104	2,825,982	2,745,791
Total Expenses	<u>\$ 7,533,850</u>	<u>\$ 6,597,251</u>	<u>\$ 6,045,430</u>
Ratio of operating revenue to:			
Operating expenses, excluding depreciation	1.42	1.69	1.91
Operating expenses	0.87	1.75	1.04
Total assets and deferred outflows of resources	0.07	0.07	0.10
Net position	0.08	0.08	0.08
Debt related ratios:			
Debt to net position	0.06	0.08	0.12

General Trends and Significant Events

The population of Cabot, Arkansas continued to grow in 2023, and the number of customers serviced by the Utility increased during the year from 11,148 active users to 11,376.

Financial Condition

The Utility's financial condition is sound. Total unrestricted net assets as of December 31, 2023 were \$6,357,033, and restricted assets amounted to \$1,744,900. Operating revenues for 2023 were \$6,564,162. Total unrestricted net assets as of December 31, 2022 were \$5,341,309, and restricted assets amounted to \$2,541,888. Operating revenues for 2022 were \$6,358,237.

Results of Operations

Net Operating Income:

The net operating income (loss) was \$(969,688) in 2023 and \$(239,104) in 2022.

**CABOT WATERWORKS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Expenses:

The utility operating expenses in 2023 were \$7,533,850, and \$6,597,251 in 2022, or 87.1% and 103.7%, respectively of total operating revenue, and are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Salaries and Related Expenses	\$ 1,979,889	\$ 1,810,257	\$ 1,685,082
Provision for Net Pension Expense	298,575	(183,929)	(323,810)
Public Safety	286,006	281,942	270,926
Chemical and Materials	289,023	235,799	110,006
Contract and Professional Services	140,863	107,789	93,684
Insurance and Medical Expenses	283,030	329,035	304,317
Utilities and Telephone	430,753	415,741	367,146
Depreciation and Amortization	2,898,104	2,825,982	2,745,791
Maintenance and Repairs	158,933	76,044	102,109
Other Operating	768,674	698,591	690,179
Total Operating Expense	<u>\$ 7,533,850</u>	<u>\$ 6,597,251</u>	<u>\$ 6,045,430</u>

Capital Assets and Long-Term Debt

The investment in plant and equipment increased by \$2,837,420 in capital acquisitions during 2023. Total debt to capital assets was 7.7% and 7.3% at the end of 2023 and 2022, respectively. This reflects the net changes in capital assets and indebtedness for 2023.

Final Comments

The Utility has maintained its mission of providing affordable, efficient, and reliable utility services.

Contacting the Utility’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and granting agencies with a general overview of the Utility’s finances and to demonstrate the Utility’s accountability for the money it receives. If there are questions about this report or the need for additional financial information arises, contact the Cabot WaterWorks, P.O. Box 1287, Cabot, Arkansas, 72023.

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES</u>	<u>2023</u>	<u>2022</u>
Accounts Payable	\$ 34,034	\$ 26,772
Sanitation Fees Payable	150,689	138,511
Sales Tax Payable	(7,281)	25,564
Compensated Absences Payable	185,694	177,954
Accrued Payroll	39,996	41,980
Payroll Taxes Payable	10,305	9,982
Payable - Insurance	62,129	38,747
Accrued Expense - Other	39,925	59,741
Meter Deposits	918,995	893,025
Accrued Sludge Removal	244,348	244,348
Accrued Interest Payable	9,364	11,348
Current Portion of Long-Term Debt	942,805	933,294
Total Current Liabilities	2,631,003	2,601,266
<u>LONG TERM LIABILITIES</u> , Less Current Maturities		
Revenue Bonds Payable	3,518,077	4,460,883
Net Pension Liability	2,584,219	2,244,795
Total Long-Term Liabilities	6,102,296	6,705,678
Total Liabilities	8,733,299	9,306,944
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pensions	14,197	28,155
<u>NET POSITION</u>		
Investment in Capital Assets		
Net of Related Liability	71,918,905	68,417,750
Restricted for Debt Service		
and Construction Improvements	1,744,900	2,541,888
Unrestricted	6,357,033	5,314,309
Total Net Position	80,020,838	76,273,947
Total Liabilities and Net Position	\$ 88,768,334	\$ 85,609,046

CABOT WATERWORKS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUE</u>		
Water Revenue	\$ 5,193,837	\$ 5,018,544
Wastewater Revenue	1,370,325	1,339,693
Other Revenue	-	-
Total Operating Revenue	<u>6,564,162</u>	<u>6,358,237</u>
<u>OPERATING EXPENSES</u>		
<u>Operating & Maintenance</u>		
Personnel Expenses	1,561,080	1,122,955
Professional & Contracted Services	40,463	53,957
Chemicals & Materials	289,023	235,799
Street Work	42,631	31,138
Utilities	394,135	380,889
Permits & Fees	10,220	10,400
Purchased Water	271,830	287,294
Public Safety	286,006	281,942
Equipment Rental	108	108
Fuel-Vehicle, Equipment, & Property	98,334	105,233
Insurance-Vehicle, Equipment, & Property	76,467	67,468
Insurance-Personnel	212,052	191,166
Repairs & Maintenance	151,178	76,044
Grinder Pump	26,362	29,174
Safety Supplies	6,411	11,040
Small Tools	22,650	20,162
	<u>3,488,950</u>	<u>2,904,769</u>
<u>General & Administrative</u>		
Bad Debt	26,494	21,392
Depreciation & Amortization	2,898,104	2,825,982
Administration Vehicle-Fuel & Insurance	6,366	8,180
Insurance & Medical Expenses	70,978	70,401
Personnel Expense	717,384	503,373
Repairs & Maintenance	7,755	6,563
Utilities	36,618	34,852
Dues, Licenses, Permits, & Subscriptions	34,548	34,513
Professional & Contracted Services	100,400	53,832
Uniforms	16,116	13,848
Education	3,835	1,682
Office Expense	20,774	21,545
Postage & Printing	63,388	52,924
Public Relations	1,807	2,273
Rent-Building	39,100	39,900
Travel	888	702
Taxes, Fines, and Other	189	377
Public Notification	156	143
	<u>4,044,900</u>	<u>3,692,482</u>
Total Operating Expenses	<u>7,533,850</u>	<u>6,597,251</u>

CABOT WATERWORKS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET OPERATING INCOME (LOSS)	\$ (969,688)	\$ (239,014)
<u>OTHER REVENUE (EXPENSES)</u>		
Interest Income	259,402	107,139
Investment Income	115,986	
Interest Expense	(51,155)	(60,609)
Other Income (Expense)	120,160	51,496
Sales Tax Discounts	28,469	20,907
Antenna Lease	76,569	129,740
Gain (Loss) on Sale of Assets	<u>113,331</u>	<u>74,099</u>
TOTAL OTHER REVENUE (EXPENSES)	<u>662,762</u>	<u>322,772</u>
INCREASE (DECREASE) IN NET ASSETS, BEFORE CAPITAL CONTRIBUTIONS	(306,926)	83,758
<u>CAPITAL CONTRIBUTIONS</u>		
City of Cabot	2,834,712	602,293
Contributions-In-Aid of Construction	<u>1,219,105</u>	<u>1,106,254</u>
Total Capital Contributions	<u>4,053,817</u>	<u>1,708,547</u>
CHANGE IN NET POSITION	3,746,891	1,792,305
NET POSITION, BEGINNING	<u>76,273,947</u>	<u>74,481,642</u>
NET POSITION, ENDING	<u>\$ 80,020,838</u>	<u>\$ 76,273,947</u>

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

CABOT WATERWORKS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2023</u>	<u>2022</u>
Cash Received From Customers	\$ 6,490,530	\$ 6,428,784
Cash Payments to Suppliers for Goods and Services	(1,717,465)	(1,360,904)
Cash Payments for Utilities	(430,753)	(415,741)
Cash Payments for Contract and Professional Services	(384,423)	(107,789)
Cash Payments to Employees for Services	(2,093,524)	(1,604,873)
Net Cash Provided - Operating Activities	<u>1,864,365</u>	<u>2,939,477</u>
 <u>CASH FLOWS - CAPITAL AND RELATED FINANCING</u> <u>ACTIVITIES</u>		
Bond Principal Paid	(933,295)	(937,607)
Bond Interest Paid	(53,139)	(62,552)
Plant Acquisition Net	(1,286,156)	(1,655,135)
Proceeds from Disposal of Capital Assets	239,322	59,173
Net Cash Provided - Capital and Related Financing	<u>(2,033,268)</u>	<u>(2,596,121)</u>
 <u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Interest Received	190,240	107,139
Investments Purchased	(4,185,853)	-
Net Cash Provided - Investing Activities	<u>(3,995,613)</u>	<u>107,139</u>
 <u>CASH FLOWS - OTHER ACTIVITIES</u>		
Meter Deposits	25,970	29,658
Sales Tax Discounts	28,469	20,907
Antenna Lease	76,569	129,740
Other Income	19,229	51,946
Net Cash Provided - Other Activities	<u>150,237</u>	<u>232,251</u>
 Net Increase (Decrease) in Cash	 (4,014,279)	 682,746
 Cash, Beginning of Year	 <u>9,113,476</u>	 <u>8,430,730</u>
 Cash, End of Year	 <u>\$ 5,099,197</u>	 <u>\$ 9,113,476</u>

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

CABOT WATERWORKS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED FROM OPERATING ACTIVITIES

	<u>2023</u>	<u>2022</u>
Operating Income (Loss)	\$ (969,688)	\$ (239,014)
Depreciation Adjustments	2,898,104	2,825,982
Accounts Receivable (Increase) Decrease	(379,928)	70,565
Inventory (Increase) Decrease	(36,675)	23,421
Prepaid Expenses (Increase) Decrease	24,640	(120,632)
Accounts Payable Increase (Decrease)	7,262	(3,381)
Other Operating Liabilities Increase (Decrease)	<u>320,650</u>	<u>382,536</u>
Net Cash Provided From Operating Activities	<u>\$ 1,864,365</u>	<u>\$ 2,939,477</u>

During the years ended December 31, 2023 and 2022, the Utility received \$4,053,817 and \$1,708,547 respectively, in contributed capital assets.

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

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

Cabot WaterWorks (the Utility) provides water and/or sewer services to residential, farming, and commercial operations in the City of Cabot (the City) and outlying areas. The Utility is operated by the Cabot Water and Wastewater Commission, which took over the operations of the City of Cabot Water and Wastewater from the City of Cabot effective January 1, 2006. Accordingly, beginning balances for Cabot WaterWorks consist of assets and liabilities transferred in from the City of Cabot Water and Wastewater Department. Under the direction of the Cabot Water and Wastewater Commission, the Utility operates autonomously from the City of Cabot (the City); however, it remains a component of the City. As a municipality, Cabot WaterWorks is not subject to income tax. The accompanying financial statements have been prepared only for the reporting entity of the Cabot WaterWorks, which operates as an enterprise fund of the City of Cabot. The accompanying financial statements do not purport to disclose other activities of the City of Cabot; and, accordingly, any other funds have been excluded from the reporting entity.

(b) Basis of Accounting

The financial statements of the Utility are prepared in accordance with generally accepted accounting principles (GAAP), as established for the Governmental Accounting Standards Board (GASB). Accordingly, the Utility uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

(c) Cash and Cash Equivalents

For purpose of the statement of cash flows, the Utility considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(d) Investments

Investments are stated at fair value and consist of U.S. Treasury Bills. 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.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Investments (Continued)

Detailed information about the Utility's investments and their respective fair value measurements is provided in Note 3 to the financial statements.

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

(e) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2023 are more fully explained in Note 4.

(f) Inventory

Inventory consists of parts and supplies and is valued at lower of cost or market using the first-in, first-out (FIFO) method.

(g) Restricted Assets

Restricted assets consist of cash and cash equivalents which are restricted by ordinance of the City of Cabot and bond requirements. Restricted assets are further described in Note 5.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Capital Assets

Purchased property, plant and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

Water Treatment, Storage, and Distribution Facilities	40-50 years
Wastewater Treatment Plant	25 years
Wastewater Collection Lines	50 years
Buildings	25-50 years
Furniture, Equipment, and Vehicles	3-10 years

(i) Contributed Assets

Contributed assets are recorded at estimated fair value at the time of receipt or based on cost of construction. Contributions generally include water and wastewater transmission lines constructed by developers or other customers who receive approval to connect to the Utility's water supply, treatment, and wastewater collection and distribution systems.

(j) Unamortized Bond Issuance Costs

Costs associated with the issuance of bonds are reported as current period expenses.

(k) Compensated Absences

It is the Utility's policy to permit employees to accumulate earned, but unused vacation and sick pay benefits. A liability for vacation and sick pay is accrued as it is earned by Utility employees.

(l) Accrued Sludge Removal

The Utility accrues on a current basis expense that will be incurred for sustaining a sludge removal program on an ongoing basis. No provision to this accrual was required for the years ended December 31, 2023 and 2022.

(m) Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Therefore, these items will not be recognized as an expense or expenditure until a future period.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (n) Deferred Inflows of Resources
Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.
- (o) Leases
In June of 2017, the Governmental Accounting Standards Board Issued GASB Statement No. 87, *Leases*. This Statement affects accounting and financial reporting by state and local governments for leases and is effective for fiscal years beginning after June 15, 2021. This Statement impacts governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset; and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Utility's implementation of this pronouncement resulted in no impact on the current year or prior year financial statements.
- (p) Pensions
The Government Accounting Standards Board (GASB) issued the following three statements which became effective for the fiscal year ended December 31, 2015: Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement no. 27*, Statement no. 69, *Government Combinations and Disposals of Government Operations*, and Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement no. 68*. Management has determined that Statement no. 69 does not affect the Utility. Statements no. 68 and no. 71 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. Details of the effect of these statements are further discussed in Note 11.
- (q) Revenue Recognition
Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues for water and sewer charges are recorded when billed to customers; billings are based on monthly meter readings. The Utility accrues revenue for services rendered but not billed at the end of the year; accounts receivable as reported on the Statement of Net Position includes an estimate of charges for services provided but unbilled at year end.

(r) Basis for Estimates

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

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the statements of net position as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 6,571,588	\$ 2,541,888	\$ 9,113,476
Net Increase (Decrease)	<u>(3,217,291)</u>	<u>(796,988)</u>	<u>(4,014,279)</u>
Total Cash at End of Year	<u>\$ 3,354,297</u>	<u>\$ 1,744,900</u>	<u>\$ 5,099,197</u>
	 <u>2022</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 5,942,794	\$ 2,487,936	\$ 8,430,730
Net Increase (Decrease)	<u>628,794</u>	<u>53,952</u>	<u>682,746</u>
Total Cash at End of Year	<u>\$ 6,571,588</u>	<u>\$ 2,541,888</u>	<u>\$ 9,113,476</u>

Custodial Credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Included in the Utility's total cash balances of \$5,099,197 and \$9,113,476 at December 31, 2023 and 2022, respectively, are deposits with financial institutions of \$5,160,424 at December 31, 2023 and \$9,204,401 at December 31, 2022. These deposits were fully covered by either FDIC insurance or appropriate collateralization at these respective dates.

NOTE 3: DEPOSITS AND INVESTMENTS

Investments at December 31, 2023 include the following:

The Utility

<u>Type</u>	<u>Fair Value</u>	Maturities in Years			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury Obligations	\$ 4,185,153	\$ 4,185,153	\$ -	\$ -	\$ -
	<u>\$ 4,185,153</u>	<u>\$ 4,185,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Valuation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

The US Treasury Obligations held at December 31, 2023 are measured at Level 1.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase.

(b) Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Utility's investment policy specifies the types of securities in which the Utility may invest. In general, the following investments are considered permissible investments:

- Direct obligations of the United States government
- Open-end, government obligation money market mutual funds
- Obligations that are fully guaranteed, secured, or insured by United States government agencies, instrumentalities and government-sponsored entities
- Repurchase agreements that are fully collateralized by direct obligations of the United States government and general obligations of any state of the United States, or political subdivision thereof
- General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories, or insular possessions thereof
- Pre-funded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government
- Revenue bond issues of any state of the United States or any municipality or any political subdivision thereof

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

(c) Custodial Credit Risk

For a deposit or investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of the deposits, investments or collateral securities that are in the possession of an outside party. State statutes require the Utility to maintain cash balances on deposit with financial institutions located within the state and that account balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) be collateralized by the financial institution in accordance with state statutes. All of the Utility's deposit account balances are fully insured by the FDIC or secured by collateral. All investments are held in the name of the Utility by the Utility's agent.

(d) Concentration of Credit Risk

The Utility limits its investments to securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations.

NOTE 4: ACCOUNTS RECEIVABLE, TRADE

Accounts receivable from customers at December 31, 2023 and 2022 consisted of the following:

Trade Receivables

	<u>2023</u>	<u>2022</u>
Trade Receivables, Current	\$ 1,081,344	\$ 1,006,855
Trade Receivables, Past Due	<u>46,368</u>	<u>45,829</u>
Total	<u>1,127,712</u>	<u>1,052,684</u>
Allowance for Uncollectibles, Beginning of Year	(24,096)	(22,986)
Bad Debt Recoveries	25,098	20,282
Provision of Bad Debt Expense	<u>(26,494)</u>	<u>(21,392)</u>
Allowance for Uncollectibles, End of Year	<u>(25,492)</u>	<u>(24,096)</u>
Accounts Receivable, Net of Allowance for Uncollectibles	<u>\$ 1,102,220</u>	<u>\$ 1,028,588</u>

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5: RESTRICTED ASSETS

Restricted assets include cash and cash equivalent accounts maintained as required under the terms of an ordinance for system improvements, and debt service funds maintained as required under the terms of revenue bonds ordinances and cash held in escrow by fiscal agent.

Restricted assets at December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Bond Funds	\$ 1,976	\$ 1,976
System Improvements Account	1,587,764	2,378,973
Cash with Fiscal Agent	<u>155,160</u>	<u>160,939</u>
 Total Restricted Assets	 <u>\$ 1,744,900</u>	 <u>\$ 2,541,888</u>

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6: CAPITAL ASSETS

Capital assets as of December 31, 2023 consisted of the following components of utility plant in service:

	<u>2023</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,985,309	\$ -	\$ 163,393	\$ 1,821,916
Total Capital Assets Not Being Depreciated	<u>1,985,309</u>	<u>-</u>	<u>163,393</u>	<u>1,821,916</u>
Capital Assets Being Depreciated:				
Water System	55,780,996	1,999,266	-	57,780,262
Wastewater System	49,857,100	2,802,177	-	52,659,277
Equipment	1,529,719	45,899	2,603	1,573,015
Vehicles	3,014,764	485,760	104,230	3,396,294
Office Furniture and Equipment	220,551	5,741	14,640	211,652
Buildings	<u>110,310</u>	<u>1,130</u>	<u>-</u>	<u>111,440</u>
Total Capital Assets Being Depreciated	<u>110,513,440</u>	<u>5,339,973</u>	<u>121,473</u>	<u>115,731,940</u>
Less Accumulated Depreciation for:				
Water System	19,638,536	1,379,843	50,233	20,968,146
Wastewater System	15,361,337	1,146,667	-	16,508,004
Equipment	1,354,504	45,147	-	1,399,651
Vehicles	2,056,286	316,622	356,817	2,016,091
Office Furniture and Equipment	203,982	8,295	3,807	208,470
Buildings	<u>72,177</u>	<u>1,530</u>	<u>-</u>	<u>73,707</u>
Total Accumulated Depreciation	<u>38,686,822</u>	<u>2,898,104</u>	<u>410,857</u>	<u>41,174,069</u>
Capital Assets, Net	<u>\$ 73,811,927</u>	<u>\$ 2,441,869</u>	<u>\$ (125,991)</u>	<u>\$ 76,379,787</u>

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6: CAPITAL ASSETS (CONTINUED)

Capital assets as of December 31, 2022 consisted of the following components of utility plant in service:

	<u>2022</u>			
	<u>Beginning</u>		<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,585,046	\$ 5,700	\$ -	\$ 1,590,746
Construction in Progress	<u>394,563</u>	<u>-</u>	<u>-</u>	<u>394,563</u>
Total Capital Assets Not Being Depreciated	<u>1,979,609</u>	<u>5,700</u>	<u>-</u>	<u>1,985,309</u>
Capital Assets Being Depreciated:				
Water System	54,538,028	1,242,968	-	55,780,996
Wastewater System	48,665,828	1,366,743	175,471	49,857,100
Equipment	1,486,588	43,131	-	1,529,719
Vehicles	2,854,230	160,534	-	3,014,764
Office Furniture and Equipment	202,207	18,344	-	220,551
Buildings	<u>110,310</u>	<u>-</u>	<u>-</u>	<u>110,310</u>
Total Capital Assets Being Depreciated	<u>107,857,191</u>	<u>2,831,720</u>	<u>175,471</u>	<u>110,513,440</u>
Less Accumulated Depreciation for:				
Water System	18,377,521	1,364,616	103,601	19,638,536
Wastewater System	14,246,368	1,114,969	-	15,361,337
Equipment	1,317,553	36,951	-	1,354,504
Vehicles	1,851,564	298,718	93,996	2,056,286
Office Furniture and Equipment	196,551	7,431	-	203,982
Buildings	<u>68,880</u>	<u>3,297</u>	<u>-</u>	<u>72,177</u>
Total Accumulated Depreciation	<u>36,058,437</u>	<u>2,825,982</u>	<u>197,597</u>	<u>38,686,822</u>
Capital Assets, Net	<u>\$ 73,778,363</u>	<u>\$ 11,438</u>	<u>\$ (22,126)</u>	<u>\$ 73,811,927</u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$2,898,104 and \$2,825,982, respectively.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: SANITATION BILLINGS

The Utility bills and collects for trash collection services provided by the City of Cabot. The Utility submits payments directly to the City of Cabot.

Since the Utility functions only in an agency capacity, such collections and remittances are not reflected in the statement of activities of the Utility. At December 31, 2023 and 2022, balances of \$150,689 and \$138,511, respectively, were due to the City of Cabot.

NOTE 8: INDEBTEDNESS

The Utility is obligated for the original debt service of \$278,454 of City of Cabot, Arkansas Water and Sewer Revenue Bonds which were originally issued on April 25, 2001, to finance certain improvements to the wastewater system. These bonds are obligations of the City payable solely from wastewater revenues and secured by a mortgage lien on utility plant in service. On December 1, 2020, the outstanding balance of \$110,864 was refinanced as described in the accompanying detail of net change in indebtedness.

On January 13, 2005, the City entered into a Bond Purchase Agreement with the Arkansas Soil and Water Conservation Commission (the Commission) and the Arkansas Development Finance Authority (the Authority) for the sale of its \$8,000,000 City of Cabot, Arkansas 2.25% Water and Sewer Revenue Bond (the Bond). The Bond was issued for the primary purpose of financing the planning, design, construction, and rehabilitation of the water system. The Bond is secured by a pledge of water revenues and a mortgage lien on utility plant in service, subordinate to the lien on the Bond described in the preceding paragraph. Proceeds from the Bond were disbursed to, and recorded by, the Utility on a draw basis as costs were incurred during the construction period of the project, with the final disbursement occurring June 28, 2008. On December 1, 2020, the outstanding balance of \$2,960,730 was refinanced as described in the accompanying detail of net change in indebtedness.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8: INDEBTEDNESS (CONTINUED)

On August 8, 2008, the City entered into a Bond Purchase Agreement with the Arkansas Soil and Water Conservation Commission (the Commission) and the Arkansas Development Finance Authority (the Authority) for the sale of its \$13,000,000 City of Cabot, Arkansas 2.75% Water and Sewer Revenue Bond (the Bond). The Bond was issued for the primary purpose of financing the planning, design, construction, and rehabilitation of the water system.

The Bond is secured by a pledge of water revenues and a mortgage lien on utility plant in service, subordinate to the lien on the Bond described in the preceding paragraph. Proceeds from the bond were disbursed to, and recorded by, the Utility on a draw basis as costs were incurred during the construction period of the project. In the year ended December 31, 2013, the Utility, having drawn approximately 8.3 million of the original \$13,000,000, requested a revision of the original debt service schedule, and in December 2012, the bond issue was revised to \$7,091,943. On December 1, 2020, the outstanding balance of \$4,161,097 was refinanced as described in the accompanying detail of net change in indebtedness.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8: INDEBTEDNESS (CONTINUED)

Net changes in total indebtedness for the year ended December 31, 2023 are as follows:

	<u>2023</u>				Amount Due
	<u>Balance</u>			<u>Balance</u>	Within One
	<u>12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2023</u>	<u>Year</u>
<u>Revenue Bonds Payable</u>					
\$278,454 2020A City of Cabot, Arkansas Water and Wastewater Revenue Bonds; semiannual installments of \$8,027, including interest of 2.1% through June 2028	\$ 83,196	\$ -	\$ 14,233	\$ 68,963	\$ 14,531
\$2,960,730 2020B City of Cabot, Arkansas Water and Wastewater Revenue Bonds; semiannual installments of \$254,821, including a servicing fee of 1% through October 2026	1,993,439	-	490,931	1,502,508	495,852
\$4,161,097 2020C City of Cabot Water and Sewer Revenue Bonds; semiannual installments of \$230,199, including a servicing fee of 1% through October 2026	<u>3,317,542</u>	<u>-</u>	<u>428,131</u>	<u>2,889,411</u>	<u>432,422</u>
Total Indebtedness	<u>\$ 5,394,177</u>	<u>\$ -</u>	<u>\$ 933,295</u>	<u>\$ 4,460,882</u>	<u>\$ 942,805</u>

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8: INDEBTEDNESS (CONTINUED)

Net changes in total indebtedness for the year ended December 31, 2022 are as follows:

	<u>2022</u>				Amount Due
	<u>Balance</u>			<u>Balance</u>	Within One
	<u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2022</u>	<u>Year</u>
<u>Revenue Bonds Payable</u>					
\$278,454 2020A City of Cabot, Arkansas Water and Wastewater Revenue Bonds; semiannual installments of \$8,027, including interest of 2.1% through June 2028	\$ 110,864	\$ -	\$ 27,668	\$ 83,196	\$ 14,233
\$2,960,730 2020B City of Cabot, Arkansas Water and Wastewater Revenue Bonds; semiannual installments of \$254,821, including a servicing fee of 1% through October 2026	2,479,497	-	486,058	1,993,439	490,930
\$4,161,097 2020C City of Cabot Water and Sewer Revenue Bonds; semiannual installments of \$230,199, including a servicing fee of 1% through October 2026	<u>3,741,423</u>	<u>-</u>	<u>423,881</u>	<u>3,317,542</u>	<u>428,131</u>
Total Indebtedness	<u>\$ 6,331,784</u>	<u>\$ -</u>	<u>\$ 937,607</u>	<u>\$ 5,394,177</u>	<u>\$ 933,294</u>

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8: INDEBTEDNESS (CONTINUED)

Total debt service payments on all indebtedness subsequent to December 31, 2023 are scheduled as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Total</u>
2024	\$ 942,805	\$ 1,523	\$ 41,604	\$ 985,932
2025	952,414	1,220	32,298	985,932
2026	962,124	910	22,899	985,933
2027	461,019	594	14,680	476,293
2028	459,019	176	10,213	469,408
2029-2030	<u>683,501</u>	<u>-</u>	<u>6,847</u>	<u>690,348</u>
	<u>\$ 4,460,882</u>	<u>\$ 4,423</u>	<u>\$ 128,541</u>	<u>\$ 4,593,846</u>

NOTE 9: CONTRACT WITH CENTRAL ARKANSAS WATER

In 2002, Cabot WaterWorks signed a contract with Central Arkansas Water (CAW) for the construction of water infrastructure. Pursuant to the terms of this contract, the Utility committed to install a new two-million-gallon storage tank at the current facility (Phase I), to improve the existing distribution system (Phase II), and to construct a transmission line to connect the Utility's water facilities with CAW (Phase III). All Phases were completed by December 31, 2013. Total costs of approximately \$25,568,379 are included in capital assets as of December 31, 2023 and 2022, respectively.

In addition to the above improvements required of the Utility, the terms of the contract specify that CAW must make certain improvements to allow the Utility access to its water supply, including expansion of CAW's existing distribution system and construction of a new meter station. Once the Utility and CAW have satisfactorily completed the improvements specified in the contract, the Utility is committed to purchase a minimum of 300,000 (up to a maximum of 9,000,000) gallons from CAW each day for a period of twenty years, with options to renew for ten years.

CABOT WATERWORKS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 10: COMMITMENTS

The Utility was contractually obligated for the following at December 31, 2023.

Construction Contracts

	Total		
<u>Project Name</u>	<u>Construction</u>	<u>Paid</u>	<u>Committed Projects</u>
	<u>Contracts</u>	<u>To Date</u>	<u>to Complete</u>
Hwy 321 Sewer Extension	\$ 3,575,000	\$ 3,256,241	\$ 318,759
Totals	<u>\$ 3,575,000</u>	<u>\$ 3,256,241</u>	<u>\$ 318,759</u>

NOTE 11: DEFINED BENEFIT PENSION PLAN

GASB Statement no. 68 established new standards of accounting and financial reporting for measuring and recognizing pension liabilities, deferred inflows and outflows of resources, and expenses, effective for the fiscal year ended December 31, 2015. Details of the effect of these statements are discussed in detail below:

Arkansas Public Employees Retirement System (APERS) Plan Description

The Utility participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the system is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 – year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributing on or after 7/1/2007	2.00%
Non – Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- (a) At age 65 with 5 years of service,
- (b) At any age with 28 years actual service,
- (c) At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- (d) At age 55 with 35 years of credited service for elected or public safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service, and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost – of – living adjustment of 3% of the current benefit is added each year.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employees are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(C)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022. In some cases, an additional 2.5% of member and employer contributions are required for elected officials. Cabot WaterWorks contributed 15.32% of compensation for fiscal years ended December 31, 2023 and 2022, respectively.

Utility contributions for the years ending December 31, 2023 and 2022 were \$221,971 and \$205,681 and are equal to the required contribution for the year. On February 19, 2002, the City of Cabot approved Ordinance No. 10 to establish a deferred compensation plan and authorize the Executive Committee of the Arkansas Municipal League to serve as the Trustee of the plan. Employees of the utility may elect to defer their compensation subject to annual limits. The City remits the employee contribution to the Trustee monthly.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At December 31, 2023, Cabot WaterWorks reported a liability of \$2,584,219 for its proportionate share of the net pension liability. The collective Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Cabot WaterWorks' proportion was .08868% and .08325% for June 30, 2023 and 2022, respectively.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources to Pensions (Continued)

For the years ended December 31, 2023 and 2022, Cabot WaterWorks recognized a pension expense of \$519,546 and \$(21,752) respectively. At December 31, 2023, Cabot WaterWorks reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145,874	\$ (14,197)
Changes of Assumptions	121,490	-
Net difference between projected and Actual Investment Earnings on Pension Plan Investments	321,642	-
Change in Proportion and Differences between Employer Contributions and Share of Contributions	157,782	-
Utility Contributions Made subsequent to the measurement date	110,985	-
Total	<u>\$ 857,773</u>	<u>\$ (14,197)</u>

\$110,985 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statements as follows:

2024	\$	225,796
2025	\$	122,146
2026	\$	406,358
2027	\$	(21,709)
2028	\$	-
Thereafter	\$	-

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	3.25% wage inflation, 2.5% price inflation
Salary Increases	3.25% - 9.85% including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on PR-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7241

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2023, are summarized in the table below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Estate	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	<u>100%</u>	
Total Real Rate of Return		4.94%
Plus: Price Inflation-Actually Assumption		<u>2.50%</u>
Net Expected Return		7.44%

Discount Rate

A single discount rate of 7% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CABOT WATERWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Cabot WaterWorks' proportionate share of the net pension liability using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

Sensitivity of Discount Rate		
1% Lower (6%)	Discount Rate (7%)	1% Higher (8%)
\$ 4,119,012	\$ 2,584,219	\$ 1,319,694

NOTE 12: RISK MANAGEMENT

The Utility has purchased insurance policies from the Arkansas Municipal League for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Utility. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant changes in coverage compared to the prior year.

NOTE 13: SUBSEQUENT EVENTS

Cabot WaterWorks did not have any recognized or nonrecognized subsequent events occur after December 31, 2023, the date of the statement of the financial statements. Subsequent events and transactions have been evaluated for potential recognition or disclosure through May 24, 2024, the date the financial statements were available to be issued.

**CABOT WATERWORKS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance</u>
<u>OPERATING REVENUE</u>			
Water Revenue	\$ 5,193,837	\$ 4,996,936	\$ 196,901
Wastewater Revenue	1,370,325	1,342,236	28,089
Other Revenue	-	-	-
Total Operating Revenue	<u>6,564,162</u>	<u>6,339,172</u>	<u>224,990</u>
<u>OPERATING EXPENSES</u>			
<u>Operating and Maintenance</u>			
Personnel Expenses	1,561,080	1,407,998	(153,082)
Professional & Contracted Services	40,463	50,800	10,337
Chemicals & Materials	289,023	292,541	3,518
Street Work	42,631	65,000	22,369
Equipment Rental	108	7,200	7,092
Utilities	394,135	417,119	22,984
Permits & Fees	10,220	13,200	2,980
Purchased Water	271,830	296,378	24,548
Public Safety	286,006	282,570	(3,436)
Fuel-Vehicle & Equipment	98,334	117,000	18,666
Insurance - Vehicle, Equipment & Property	76,467	79,800	3,333
Insurance - Personnel	212,052	264,056	52,004
Repairs & Maintenance	151,178	189,800	38,622
Grinder Pump	26,362	40,000	13,638
Safety Supplies	6,411	13,300	6,889
Small Tools	22,650	34,600	11,950
Total Operating and Maintenance Expenses	<u>3,488,950</u>	<u>3,571,362</u>	<u>82,412</u>
<u>General and Administrative</u>			
Bad Debt	26,494	26,100	(394)
Depreciation & Amortization	2,898,104	2,825,000	(73,104)
Administration Vehicle - Fuel & Insurance	6,366	8,400	2,034
Insurance & Medical Expenses	70,978	76,513	5,535
Personnel Expenses	717,384	771,062	53,678
Repairs & Maintenance	7,755	11,250	3,495
Utilities	36,618	45,925	9,307
Dues, Licenses, Permits, & Subscriptions	34,548	63,250	28,702
Professional & Contracted Services	100,400	79,200	(21,200)
Uniforms	16,116	23,250	7,134
Education	3,835	8,950	5,115
Office Expense	20,774	30,650	9,876
Postage & Printing	63,388	64,100	712
Public Relations	1,807	8,500	6,693
Rent - Building	39,100	40,000	900
Travel	888	5,100	4,212
Taxes, Fines, & Other	189	1,100	911
Public Notification	156	3,000	2,844
Total General and Administrative Expenses	<u>4,044,900</u>	<u>4,091,350</u>	<u>46,450</u>
Total Operating Expenses	<u>7,533,850</u>	<u>7,662,712</u>	<u>128,862</u>
NET OPERATING INCOME (LOSS)	<u>\$ (969,688)</u>	<u>\$ (1,323,540)</u>	<u>\$ 96,128</u>

See independent auditors' report on supplementary schedules.

CABOT WATERWORKS
SCHEDULE OF NET OPERATING REVENUE AND EXPENSES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>General and Administrative</u>	<u>Total</u>
<u>OPERATING REVENUE</u>				
Water Revenue	\$ 5,193,837	\$ -	\$ -	\$ 5,193,837
Wastewater Revenue	-	1,370,325	-	1,370,325
Other Revenue	-	-	-	-
Total Operating Revenue	<u>5,193,837</u>	<u>1,370,325</u>	<u>-</u>	<u>6,564,162</u>
<u>OPERATING EXPENSES</u>				
<u>Operating and Maintenance</u>				
Personnel Expenses	1,307,070	254,010	-	1,561,080
Professional & Contracted Services	14,650	25,813	-	40,463
Chemicals & Materials	193,740	95,283	-	289,023
Street Work	28,757	13,874	-	42,631
Equipment Rental	108	-	-	108
Utilities	178,985	215,150	-	394,135
Permits & Fees	520	9,700	-	10,220
Purchased Water	271,830	-	-	271,830
Public Safety	286,006	-	-	286,006
Fuel-Vehicle & Equipment	63,046	35,288	-	98,334
Insurance - Vehicle, Equipment & Property	40,243	36,224	-	76,467
Insurance - Personnel	152,334	59,718	-	212,052
Repairs & Maintenance	81,846	69,332	-	151,178
Grinder Pump	-	26,362	-	26,362
Safety Supplies	4,854	1,557	-	6,411
Small Tools	14,104	8,546	-	22,650
Total Operating and Maintenance Expenses	<u>2,638,093</u>	<u>850,857</u>	<u>-</u>	<u>3,488,950</u>
<u>General and Administrative</u>				
Bad Debt	22,050	4,444	-	26,494
Depreciation & Amortization	1,733,745	1,164,359	-	2,898,104
Administration Vehicle - Fuel & Insurance	-	-	6,366	6,366
Insurance & Medical Expenses	-	-	70,978	70,978
Personnel Expenses	493	1,320	715,571	717,384
Repairs & Maintenance	931	546	6,278	7,755
Utilities	23,096	8,713	4,809	36,618
Dues, Licenses, Permits, & Subscriptions	17,374	404	16,770	34,548
Professional & Contracted Services	6,200	4,394	89,806	100,400
Uniforms	9,370	6,316	430	16,116
Education	193	-	3,642	3,835
Office Expense	3,866	156	16,752	20,774
Postage & Printing	61,605	119	1,664	63,388
Public Relations	1,653	154	-	1,807
Rent - Building	21,550	-	17,550	39,100
Travel	158	61	669	888
Taxes, Fines, & Other	189	-	-	189
Public Notification	-	-	156	156
Total General and Administrative Expenses	<u>1,902,473</u>	<u>1,190,986</u>	<u>951,441</u>	<u>4,044,900</u>
Total Operating Expenses	<u>4,540,566</u>	<u>2,041,843</u>	<u>951,441</u>	<u>7,533,850</u>
NET OPERATING INCOME (LOSS)	<u>\$ 653,271</u>	<u>\$ (671,518)</u>	<u>\$ (951,441)</u>	<u>\$ (969,688)</u>

See independent auditors' report on supplementary schedules.

CABOT WATERWORKS
SCHEDULE OF DEBT SERVICE REQUIREMENTS - 2020A BOND ISSUE
DECEMBER 31, 2023

Due Date	2.10% \$110,864		Total Annual Requirement
	Principal	Interest	
June 1, 2024	\$ 7,228	\$ 799	
December 1, 2024	7,303	724	\$ 16,054
June 1, 2025	7,379	648	
December 1, 2025	7,455	572	16,054
June 1, 2026	7,533	494	
December 1, 2026	7,611	416	16,054
June 1, 2027	7,690	337	
December 1, 2027	7,770	257	16,054
June 1, 2028	8,994	176	9,170
	\$ 68,963	\$ 4,423	\$ 73,386

See auditors' report on supplementary schedules.

CABOT WATERWORKS
 SCHEDULE OF DEBT SERVICE REQUIREMENTS - 2020B BOND ISSUE
 DECEMBER 31, 2023

Due Date	Principal	Service Fee	Total Annual Requirement
		1.00%	
		\$2,960,730	
April 15, 2024	\$ 247,308	\$ 7,513	
October 15, 2024	248,544	6,276	\$ 509,641
April 15, 2025	249,787	5,033	
October 15, 2025	251,036	3,784	509,640
April 15, 2026	252,291	2,529	
October 15, 2026	253,542	1,268	509,630
	\$ 1,502,508	\$ 26,403	\$ 1,528,911

See auditors' report on supplementary schedules.

CABOT WATERWORKS
SCHEDULE OF DEBT SERVICE REQUIREMENTS - 2020C BOND ISSUE
DECEMBER 31, 2023

1.00%
\$4,161,097

<u>Due Date</u>	<u>Principal</u>	<u>Service Fee</u>	<u>Total Annual Requirement</u>
April 15, 2024	\$ 215,672	\$ 14,447	
October 15, 2024	216,751	13,369	\$ 460,239
April 15, 2025	217,834	12,285	
October 15, 2025	218,923	11,196	460,238
April 15, 2026	220,018	10,101	
October 15, 2026	221,118	9,001	460,238
April 15, 2027	222,224	7,895	
October 15, 2027	223,335	6,784	460,238
April 15, 2028	224,452	5,668	
October 15, 2028	225,574	4,545	460,239
April 15, 2029	226,702	3,418	
October 15, 2029	227,835	2,284	460,239
April 15, 2030	228,973	1,145	230,118
	<u>\$ 2,889,411</u>	<u>\$ 102,138</u>	<u>\$ 2,991,549</u>

See auditors' report on supplementary schedules.

CABOT WATERWORKS
 SCHEDULE OF INFORMATION REQUIRED BY
 ARKANSAS NATURAL RESOURCES COMMISSION
 FOR THE YEAR ENDED DECEMBER 31, 2023

DISCLOSURES REQUIRED BY ARKANSAS NATURAL RESOURCES COMMISSION

The following information submitted in compliance with Arkansas Natural Resources Commission requirements:

a. The number of users of the system was 11,376. The rate structure is as follows:

(1) Water:

Debt Service Flat Charge	
Residential-Inside City	\$13.50
Residential-Outside City	\$16.50
Sprinkler	\$16.50
Commercial	\$16.50
OM+R Volume based charged (per 1000 gallons)	
Residential-Inside City	0-5,000 gal. \$3.20 over 5,000 gal. \$4.20
Residential-Outside City	0-5,000 gal. \$4.20 over 5,000 gal. \$5.20
Sprinkler	0-5,000 gal. \$4.20 over 5,000 gal. \$5.20
Commercial	0-5,000 gal. \$4.20 over 5,000 gal. \$5.20

(2) Sewer:

All customers (excluding Briarwood/Bear Creek Extension Area, Phase II)	
0-2,000 gal. \$5.10*	over 2,000 gal. \$1.57 per 1,000 gal.
Briarwood/Bear Creek Extension Area, Phase II	
0-2,000 gal. \$27.05*	over 2,000 gal. \$1.98 per 1,000 gal.
Mark Lynn, Dina, Bradley Extension Area	
0-2,000 gal. \$26.43*	over 2,000 gal. \$1.57 per 1,000 gal.

*=minimum monthly charge

b. Total annual billable gallons of water for users were 752,990,500.

c. Deposit funds are in financial institutions insured by the federal government and have been adequately collateralized.

See auditors' report on supplementary schedules.

CABOT WATERWORKS
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2023

<u>Company</u>	<u>Coverage</u>	<u>Date of Policy</u>	<u>Amount</u>
Arkansas Municipal League	Property	11/06/23 – 11/06/24	\$23,341,708
Arkansas Municipal League	Vehicle	12/08/22 – 12/31/23	\$1,995,425

See auditors' report on supplementary schedules.

CABOT WATERWORKS
 SCHEDULES OF RESTRICTED ASSETS
 DECEMBER 31, 2023 AND 2022

RESTRICTED CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Bond Fund	\$ 1,976	\$ 1,976
System Improvements Account	1,587,764	2,378,973
Cash with Fiscal Agent (ANRC)	<u>155,160</u>	<u>160,939</u>
 Total Restricted Cash and Cash Equivalents	 <u>\$ 1,744,900</u>	 <u>\$ 2,541,888</u>

See auditors' report on supplementary schedules.

COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

650 S. Shackleford Road • Suite 400 • P. O. Box 21675 • Little Rock, Arkansas 72221-1675
(501) 225-2133 • Fax (501) 223-2839

Michael L. Cobb

Anne Suskie Pinyan

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*

Cabot WaterWorks Commission
Cabot, 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 business-type activities of Cabot WaterWorks, as of and for the years ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Cabot WaterWorks' basic financial statements, and have issued our report there on dated May 24, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cabot WaterWorks' 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 Cabot WaterWorks' internal control. Accordingly, we do not express an opinion on the effectiveness of Cabot WaterWorks' 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cabot WaterWorks' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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 of 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.

Cobb and Suskie, Ltd.

Certified Public Accountants
May 24, 2024