




Community Water System Public Water Authority of the State of Arkansas

**Independent Auditor's Report and
Financial Statements**

December 31, 2024 and 2023



**Community Water System
Public Water Authority of the State of Arkansas
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December 31, 2024 and 2023**

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Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Water System Public Water Authority of the State of Arkansas (Authority) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority as of December 31, 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 Authority, 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 Authority'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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of functional expenses and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the schedules of water sales and the list of board of directors (board) but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Little Rock, Arkansas
March 17, 2025**

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

Introduction

This management's discussion and analysis of the financial performance of Community Water System Public Water Authority of the State of Arkansas (Authority) provides an overview of the Authority's financial activities for the years ended December 31, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Operating (unrestricted) cash and cash equivalents increased in 2024 by \$525,566, or 43%, and decreased in 2023 by \$88,875, or 7%.
- Restricted assets increased in 2024 by \$4,691,566, or 146%, and decreased in 2023 by \$451,598, or 12%. The increase in 2024 is due to the issuance of the Series 2024 Water Revenue Bonds in the amount of \$5,000,000.
- Net position increased in 2024 by \$4,283,227 and increased in 2023 by \$177,760.
- The Authority reported operating income of \$1,930,944 and \$976,117 in 2024 and 2023, respectively.

Using This Annual Report

The Authority's financial statements consist of three statements – balance sheets, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors or grantors. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses, and Changes in Net Position

The balance sheet presents information about the four elements that make up the Utility's statements of net position. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information that shows how the Utility's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., water revenues for water service provided in the current reporting period that will not be collected until the next reporting period or expenses associated with goods or services received by the Utility in the current reporting period that will be paid for in the next reporting period).

The Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities (when applicable). It provides answers to such questions as where did the cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

(Continued)

The Authority's Net Position

Net position is the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, and Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309	\$ 1,325,184
Restricted cash and cash equivalents – current	1,917,124	1,779,008	1,766,969
Certificates of deposit	447,420	615,883	610,664
Investments	-	-	223,143
Accounts receivable	923,093	825,001	998,990
Other current assets	836,189	858,392	624,039
Lease assets, net	-	-	23,727
Capital assets, net	45,489,919	46,211,180	46,651,795
Other noncurrent assets – restricted	7,042,563	2,117,079	2,580,716
Total assets	<u>58,418,183</u>	<u>53,642,852</u>	<u>54,805,227</u>
Deferred Outflows of Resources			
	<u>377,460</u>	<u>401,796</u>	<u>426,132</u>
Total assets and deferred outflows of resources	<u>\$ 58,795,643</u>	<u>\$ 54,044,648</u>	<u>\$ 55,231,359</u>
Liabilities			
Current liabilities	\$ 2,153,971	\$ 2,270,698	\$ 2,127,867
Long-term debt	36,858,837	36,275,032	37,780,524
Other liabilities – noncurrent	133,245	132,555	134,365
Total liabilities	<u>39,146,053</u>	<u>38,678,285</u>	<u>40,042,756</u>
Net Position			
Net invested in capital assets	13,248,356	10,492,473	10,281,952
Restricted	1,105,740	820,139	573,258
Unrestricted	5,295,494	4,053,751	4,333,393
Total net position	<u>19,649,590</u>	<u>15,366,363</u>	<u>15,188,603</u>
Total liabilities and net position	<u>\$ 58,795,643</u>	<u>\$ 54,044,648</u>	<u>\$ 55,231,359</u>

During 2024, there was an increase in unrestricted cash and cash equivalents of \$525,566, or 43%, primarily due to an increase in wholesale and retail rates and operating revenues. Unrestricted cash and cash equivalents decreased in 2023 by \$88,875, or 7%, primarily due to the Authority using more cash during the year to fund operations. There was an increase in restricted assets in 2024 of \$4,691,566, or 146%, compared to a decrease in 2023 of \$451,597, or 12%. The increase in 2024 is primarily due to the bond proceeds from the Series 2024 Bonds.

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

(Continued)

Capital assets, net of accumulated depreciation, decreased \$721,261 during 2024. During 2023, capital assets, net of accumulated depreciation, decreased \$440,615 after depreciation expense of \$1,948,753 during 2023. The decreases are due to depreciation expense being greater than the capital asset additions.

Table 2: Operating Results and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues			
Net water sales	\$ 10,086,491	\$ 8,582,686	\$ 7,807,328
Other operating revenues	379,483	386,404	404,583
Total operating revenues	<u>10,465,974</u>	<u>8,969,090</u>	<u>8,211,911</u>
Operating Expenses			
Production expense	2,874,280	2,741,032	2,487,240
Transmission and distribution expense	2,760,905	2,622,214	2,524,112
General and administrative expense	1,024,329	823,936	708,831
Faulkner/Cleburne Counties distribution expense	1,875,516	1,805,791	1,764,108
Total operating expenses	<u>8,535,030</u>	<u>7,992,973</u>	<u>7,484,291</u>
Operating Income	<u>1,930,944</u>	<u>976,117</u>	<u>727,620</u>
Nonoperating Revenues (Expenses)			
Grant revenue	3,098,264	-	-
Investment income	324,807	91,514	78,341
Other income	172,653	125,352	174,485
Bond issuance costs	(163,766)	-	-
Interest expense	(1,079,675)	(1,015,223)	(1,044,543)
Net nonoperating expenses	<u>2,352,283</u>	<u>(798,357)</u>	<u>(791,717)</u>
Change in Net Position	<u>\$ 4,283,227</u>	<u>\$ 177,760</u>	<u>\$ (64,097)</u>

Operating Income

In 2024, the Authority's operating income increased by \$954,827 compared to 2023. The increase was driven primarily by an increase of wholesale and retail rates in 2024 compared to 2023.

In 2023, the Authority's operating income increased by \$248,497 compared to 2022. The increase was driven primarily by an increase of wholesale and retail rates in 2023 compared to 2022.

Nonoperating Revenues and Expenses

In 2024, the Authority's grant income increased by \$3,098,264 compared to 2023, primarily due to a federal grant received in 2024 used for capital projects.

The Authority also has investment income and interest expense, of which investment income increased by \$233,293 in 2024 compared to 2023 due to an increase in interest rates. Interest expense increased by \$64,452 in 2024 compared to 2023 due the bonds being issued in 2024.

Investment income increased by \$13,173 in 2023 compared to 2022 due to an increase in interest rates. Interest expense decreased by \$29,320 in 2023 compared to 2022 due to the decrease in the outstanding bond balance.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses.

Capital Assets, Lease Assets, and Debt Administration

Capital and Lease Assets

At the end of 2024 and 2023, the Authority had \$45,489,919 and \$46,211,180, respectively, invested in capital and lease assets, net of accumulated depreciation and amortization, as detailed in *Note 3* to the financial statements. In 2024, the Authority added \$1,500,962 in new system infrastructure. In 2023, the Authority added \$1,455,063 in new system infrastructure.

Debt

At December 31, 2024, the Authority had \$38,473,428 outstanding in revenue bonds, which increased by \$690,611, or 2%, compared to 2023. The Authority issued \$5,000,000 in bonds during 2024. This amount was partially offset by an additional principal payment of \$2,783,240 on the Series 2021A bonds and scheduled principal payments.

At the end of 2023, the Authority had \$37,782,812 outstanding in revenue bonds and lease liability, which decreased by \$1,495,351, or 4%, compared to 2022.

Contacting the Authority's Financial Management

This financial report is designed to provide customers, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority by calling 501.825.7294.

**Community Water System
Public Water Authority of the State of Arkansas
Balance Sheets
December 31, 2024 and 2023**

Assets and Deferred Outflows of Resources

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents – current	1,917,124	1,779,008
Certificates of deposit	447,420	615,883
Accounts receivable – customers	921,817	823,864
Accounts receivable – other	1,276	1,137
Inventory	818,094	855,334
Prepaid expenses	18,095	3,058
	<u>5,885,701</u>	<u>5,314,593</u>
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	5,231,808	678,358
Investments	1,809,695	1,437,661
Accrued interest receivable	1,060	1,060
	<u>7,042,563</u>	<u>2,117,079</u>
Capital assets – nondepreciable	2,143,466	1,276,451
Capital assets – depreciable, net	43,346,453	44,934,729
	<u>45,489,919</u>	<u>46,211,180</u>
Total noncurrent assets	<u>52,532,482</u>	<u>48,328,259</u>
Total assets	<u>58,418,183</u>	<u>53,642,852</u>
Deferred Outflows of Resources		
Deferred amount on bond refundings	<u>377,460</u>	<u>401,796</u>
Total assets and deferred outflows of resources	<u>\$ 58,795,643</u>	<u>\$ 54,044,648</u>

**Community Water System
Public Water Authority of the State of Arkansas
Balance Sheets
December 31, 2024 and 2023**

(Continued)

Liabilities and Net Position

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Current maturities of long-term debt	\$ 1,614,591	\$ 1,507,785
Accounts payable – trade	169,122	352,891
Accrued expenses	67,725	138,799
Accrued interest payable	<u>302,533</u>	<u>271,223</u>
Total current liabilities	<u>2,153,971</u>	<u>2,270,698</u>
Noncurrent Liabilities		
Bonds payable, net	36,858,837	36,275,032
Customer meter deposits	<u>133,245</u>	<u>132,555</u>
Total noncurrent liabilities	<u>36,992,082</u>	<u>36,407,587</u>
Total liabilities	<u>39,146,053</u>	<u>38,678,285</u>
Net Position		
Net investment in capital assets	13,248,356	10,492,473
Restricted expendable for debt service	1,105,740	820,139
Unrestricted	<u>5,295,494</u>	<u>4,053,751</u>
Total net position	<u>19,649,590</u>	<u>15,366,363</u>
Total liabilities and net position	<u>\$ 58,795,643</u>	<u>\$ 54,044,648</u>

**Community Water System
Public Water Authority of the State of Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023**

	2024	2023
Operating Revenues		
Water sales		
Retail	\$ 4,047,620	\$ 3,321,524
Wholesale	6,038,871	5,261,162
	<u>10,086,491</u>	<u>8,582,686</u>
Service fees	35,765	49,970
Miscellaneous operating revenues	343,718	336,434
	<u>10,465,974</u>	<u>8,969,090</u>
Total operating revenues		
	<u>10,465,974</u>	<u>8,969,090</u>
Operating Expenses		
Production expense	2,874,280	2,741,032
Transmission and distribution expense	2,760,905	2,622,214
General and administrative expense	1,024,329	823,936
Faulkner/Cleburne Counties distribution expense	1,875,516	1,805,791
	<u>8,535,030</u>	<u>7,992,973</u>
Total operating expenses		
	<u>8,535,030</u>	<u>7,992,973</u>
Operating Income	<u>1,930,944</u>	<u>976,117</u>
Nonoperating Revenues (Expenses)		
Grant revenue	3,098,264	-
Investment income	324,807	91,514
Other income	172,653	125,352
Bond issuance costs	(163,766)	-
Interest expense	(1,079,675)	(1,015,223)
	<u>2,352,283</u>	<u>(798,357)</u>
Net nonoperating expenses		
	<u>2,352,283</u>	<u>(798,357)</u>
Increase in Net Position	4,283,227	177,760
Net Position, Beginning of Year	<u>15,366,363</u>	<u>15,188,603</u>
Net Position, End of Year	<u>\$ 19,649,590</u>	<u>\$ 15,366,363</u>

**Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Activities		
Customer receipts	\$ 9,988,399	\$ 8,756,675
Service fee receipts	35,765	49,970
Other receipts	516,371	461,786
Payments to suppliers and contractors	(3,445,007)	(3,521,022)
Payments to employees	(1,257,180)	(1,173,126)
Other payments	(1,842,570)	(1,476,631)
	<u>3,995,778</u>	<u>3,097,652</u>
Net cash provided by operating activities	<u>3,995,778</u>	<u>3,097,652</u>
Capital and Related Financing Activities		
Acquisition of capital assets	(1,500,962)	(1,455,063)
Grant revenue	3,098,264	-
Principal paid on long-term debt	(4,301,486)	(1,483,918)
Principal paid on lease payable	-	(8,160)
Proceeds from issuance of debt	4,828,331	-
Interest paid on long-term debt	(1,024,029)	(1,000,422)
	<u>1,100,118</u>	<u>(3,947,563)</u>
Net cash provided by (used in) capital and related financing activities	<u>1,100,118</u>	<u>(3,947,563)</u>
Investing Activities		
Sale of investments	102,809	188,317
Purchase of investments	(435,454)	-
Sale of certificates of deposit	615,883	610,664
Purchase of certificates of deposit	(447,420)	(615,883)
Investment income	285,418	107,181
	<u>121,236</u>	<u>290,279</u>
Net cash provided by investing activities	<u>121,236</u>	<u>290,279</u>
Increase (Decrease) in Cash and Cash Equivalents	5,217,132	(559,632)
Cash and Cash Equivalents, Beginning of Year	<u>3,693,675</u>	<u>4,253,307</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,910,807</u>	<u>\$ 3,693,675</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents	<u>7,148,932</u>	<u>2,457,366</u>
Total cash and cash equivalents	<u>\$ 8,910,807</u>	<u>\$ 3,693,675</u>

**Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 1,930,944	\$ 976,117
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	2,222,223	1,919,405
Other income	172,653	125,352
Changes in:		
Accounts receivables	(98,092)	173,989
Prepaid expenses	(15,037)	16,973
Inventory	37,240	(251,326)
Accounts payable	(183,769)	151,046
Accrued expenses and other liabilities	(70,384)	(13,904)
	<u>\$ 3,995,778</u>	<u>\$ 3,097,652</u>

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Community Water System Public Water Authority of the State of Arkansas (Authority) is a Public Water Authority authorized and formed under Arkansas Code Ann. 4-35-201 to 217. The purpose of the Authority is to associate its users together for their mutual benefit for the purpose of constructing, maintaining and operating a water system. The system is supported primarily through service revenue and other user fees.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital assets – related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water sales and are stated at the amount billed to customers plus any accrued and unpaid late fees. Accounts receivable are ordinarily due on the 15th of the month following the month billed. Accounts that are unpaid after the due date are charged a late fee. Accounts more than 30 days past due are considered delinquent and service is disconnected. Accounts are written off as bad debts based on individual credit evaluation and specific circumstances of the account. No allowance for uncollectible accounts has been recorded as of December 31, 2024 and 2023, because management believes any potential uncollectible accounts are immaterial to the financial statements.

Inventories

Inventories consist of materials and supplies used in operations and are stated at the lower of cost or market. Cost is determined using the weighted-average cost.

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

Investments and Investment Income

Investments in money market mutual funds and nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. 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.

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value. Investment income is included as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the Authority:

Supply, treatment, and distribution facilities	10–50 years
Equipment	3–10 years
Water storage space	40 years

Property acquired with grant funds is considered to be owned by the Authority while used in the program for which it was purchased or in future authorized programs. In addition, the federal government has a reversionary interest in the property. The disposition of property purchased, as well as any proceeds therefrom, is subject to federal regulation.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Deferred Outflows of Resources

The Authority reports the consumption of net position applicable to future periods as deferred outflows of resources in a separate section of its balance sheets.

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Compensated Absences

The Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of the Authority is classified into three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors or others external to the Authority, including amounts deposited with trustees as required by bond indentures.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions, such as assessments levied, industrial surcharges, connection fee, and other water fees and are reported as operating revenues. Transactions which are capital, financing or investing related are reported as nonoperating revenues.

Government Grants

Support funded by grants is recognized as the Authority performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Accounting Pronouncement Adopted

The Authority adopted GASB Statement No. 101 – *Compensated Absences*, for the year ended December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The adoption of the standard had no impact on the Authority's financial statements for the years ended December 31, 2024 or 2023.

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Note 2: Deposits, Investments, and Investment Income

Deposits

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 Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2024 and 2023, the Authority's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk.

Investments

Arkansas statutes authorize the Authority to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940* and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

At December 31, 2024 and 2023, the Authority had the following investments and maturities:

Type	2024				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. treasury notes	\$ 1,809,695	\$ 767,006	\$ 1,042,689	\$ -	\$ -
	<u>\$ 1,809,695</u>	<u>\$ 767,006</u>	<u>\$ 1,042,689</u>	<u>\$ -</u>	<u>\$ -</u>
Type	2023				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. treasury notes	\$ 1,437,661	\$ 536,494	\$ 901,167	\$ -	\$ -
	<u>\$ 1,437,661</u>	<u>\$ 536,494</u>	<u>\$ 901,167</u>	<u>\$ -</u>	<u>\$ -</u>

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Interest Rate Risk – The Authority’s policy does not limit the maturity of a single investment. The average-weighted maturities of the underlying investments in the Authority’s money market mutual funds are less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2024 and 2023, the Authority’s investment in money market mutual funds were rated AAAM and Aaa-mf by Standard & Poor’s and Moody’s, respectively.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority’s investment policy does not specifically address credit risk, concentration of credit risk or custodial credit risk.

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the balance sheets as follows:

	<u>2024</u>	<u>2023</u>
Carrying value		
Deposits	\$ 3,928,431	\$ 3,359,850
Investments	<u>7,239,491</u>	<u>2,387,369</u>
	<u>\$ 11,167,922</u>	<u>\$ 5,747,219</u>
Included in the following balance sheet captions:		
Current assets		
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents	1,917,124	\$ 1,779,008
Certificates of deposit	447,420	615,883
Restricted assets		
Cash and cash equivalents	5,231,808	678,358
Investments	<u>1,809,695</u>	<u>1,437,661</u>
	<u>\$ 11,167,922</u>	<u>\$ 5,747,219</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

The Authority’s recurring fair value measurements as of December 31, 2024 and 2023 consist of U.S. Treasury notes, which are valued using quoted market prices (Level 1 inputs).

Investment Income

Total investment return is comprised of the following below.

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	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 285,418	\$ 56,688
Net realized and unrealized gains on investments	<u>39,389</u>	<u>34,826</u>
	<u>\$ 324,807</u>	<u>\$ 91,514</u>

Note 3: Capital and Lease Assets

Capital and lease assets activity for the years ended December 31, 2024 and 2023 was:

	<u>2024</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Net Transfers</u>	<u>Ending Balance</u>
Capital Assets and Leases, Nondepreciable					
Land and land rights	\$ 554,527	\$ -	\$ -	\$ -	\$ 554,527
Construction in progress	721,924	1,500,962		(633,947)	1,588,939
Total capital and lease assets, nondepreciable	<u>1,276,451</u>	<u>1,500,962</u>	<u>-</u>	<u>(633,947)</u>	<u>2,143,466</u>
Capital Assets and Leases, Depreciable					
Supply, treatment, and distribution facilities	83,257,899	-	253,189	681,402	83,686,112
Equipment lease	47,455	-	-	(47,455)	-
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	<u>84,305,832</u>	<u>-</u>	<u>253,189</u>	<u>633,947</u>	<u>84,686,590</u>
Total capital and lease assets	<u>85,582,283</u>	<u>1,500,962</u>	<u>253,189</u>	<u>-</u>	<u>86,830,056</u>
Less accumulated depreciation					
Supply, treatment, and distribution facilities	38,829,563	2,207,987	253,189	47,455	40,831,816
Equipment lease	33,219	14,236	-	(47,455)	-
Water storage space	508,321	-	-	-	508,321
	<u>39,371,103</u>	<u>2,222,223</u>	<u>253,189</u>	<u>-</u>	<u>41,340,137</u>
Total capital and lease assets, net	<u>\$ 46,211,180</u>	<u>\$ (721,261)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,489,919</u>

**Community Water System
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Notes to Financial Statements
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	2023				
	Beginning Balance	Additions	Disposals	Net Transfers	
Capital Assets and Leases, Nondepreciable					
Land and land rights	\$ 464,663	\$ -	\$ -	\$ 89,864	\$ 554,527
Construction in progress	4,259,790	1,455,063	-	(4,992,929)	721,924
Total capital and lease assets, nondepreciable	<u>4,724,453</u>	<u>1,455,063</u>	<u>-</u>	<u>(4,903,065)</u>	<u>1,276,451</u>
Capital Assets and Leases, Depreciable					
Supply, treatment and distribution facilities	78,478,910	-	124,076	4,903,065	83,257,899
Equipment lease	47,455	-	-	-	47,455
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	<u>79,526,843</u>	<u>-</u>	<u>124,076</u>	<u>4,903,065</u>	<u>84,305,832</u>
Total capital and lease assets	<u>84,251,296</u>	<u>1,455,063</u>	<u>124,076</u>	<u>-</u>	<u>85,582,283</u>
Less accumulated depreciation and amortization					
Supply, treatment and distribution facilities	37,045,828	1,907,811	124,076	-	38,829,563
Equipment lease	23,728	9,491	-	-	33,219
Water storage space	506,218	2,103	-	-	508,321
	<u>37,575,774</u>	<u>1,919,405</u>	<u>124,076</u>	<u>-</u>	<u>39,371,103</u>
Total capital and lease assets, net	<u>\$ 46,675,522</u>	<u>\$ (464,342)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,211,180</u>

**Community Water System
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Notes to Financial Statements
December 31, 2024 and 2023**

Note 4: Long-Term Debt

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2024 and 2023:

Description	2024				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable (A)	\$ 2,966,462	\$ -	\$ 192,784	\$ 2,773,678	199,591
Revenue bonds payable (B)	2,470,000	-	10,000	2,460,000	5,000
Revenue bonds payable (C)	4,880,000	-	155,000	4,725,000	160,000
Revenue bonds payable (D)	3,975,000	-	2,901,356	1,073,644	120,000
Revenue bonds payable (E)	23,480,000	-	1,040,000	22,440,000	1,045,000
Revenue bonds payable (G)	-	5,000,000	-	5,000,000	85,000
	<u>37,771,462</u>	<u>5,000,000</u>	<u>4,299,140</u>	<u>38,472,322</u>	<u>1,614,591</u>
Discount on 2019 bonds	(13,434)	-	(576)	(12,858)	-
Premium on 2021 bonds	24,789	-	3,074	21,715	-
Discount on 2024 bonds	-	(7,903)	(152)	(7,751)	-
	<u>11,355</u>	<u>(7,903)</u>	<u>2,346</u>	<u>1,106</u>	<u>-</u>
	<u>\$ 37,782,817</u>	<u>\$ 4,992,097</u>	<u>\$ 4,301,486</u>	<u>\$ 38,473,428</u>	<u>\$ 1,614,591</u>
Description	2023				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable (A)	\$ 3,149,496	\$ -	\$ 183,034	\$ 2,966,462	\$ 192,785
Revenue bonds payable (B)	2,475,000	-	5,000	2,470,000	10,000
Revenue bonds payable (C)	5,030,000	-	150,000	4,880,000	155,000
Revenue bonds payable (D)	4,090,000	-	115,000	3,975,000	110,000
Revenue bonds payable (E)	24,510,000	-	1,030,000	23,480,000	1,040,000
Lease liability (F)	8,023	-	8,023	-	-
	<u>39,262,519</u>	<u>-</u>	<u>1,491,057</u>	<u>37,771,462</u>	<u>1,507,785</u>
Discount on 2019 bonds	(14,009)	-	(575)	(13,434)	-
Premium on 2021 bonds	26,248	-	1,459	24,789	-
	<u>12,239</u>	<u>-</u>	<u>884</u>	<u>11,355</u>	<u>-</u>
	<u>\$ 39,274,758</u>	<u>\$ -</u>	<u>\$ 1,491,941</u>	<u>\$ 37,782,817</u>	<u>\$ 1,507,785</u>

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- (A) The revenue bonds payable consist of Water Refunding and Improvement Revenue Bonds Series 2005 in the original amount of \$5,450,000 dated October 1, 2005, which bear interest at 2.50% and an additional service fee of 1.00%. The bonds are payable in semi-annual installments through April 15, 2036. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (B) The revenue bonds payable consist of Construction Refunding Bonds Series 2018 in the original amount of \$3,340,000, dated July 31, 2018, which bear interest at 3.00% to 3.95%. The bonds are payable at annual installments through February 2048. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (C) On October 17, 2019, the Authority issued \$5,350,000 of revenue refunding and improvement bonds (Series 2019) to refund the Series 2014 Bonds and to finance the cost of certain capital improvements. The bonds bear interest at 2.125% to 3.125% and are payable in semi-annual installments through February 2046. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (D) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021A in the original amount of \$4,180,000, which bear interest at 2.00% to 2.125%. The bonds are being issued to finance costs of certain capital improvements. The bonds are payable in semi-annual installments. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- During the year ended December 31, 2024, the Authority defeased \$2,791,356 of the outstanding 2021A Series bonds. The monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the 2021A Series bonds. As a result, the 2021A Series bonds are considered to be partially defeased, and that portion of the liability for those bonds has been removed from the Authority's balance sheet.
- (E) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021B in the original amount of \$24,855,000, which bear interest at 0.45% to 3.10%. The bonds are being issued to provide funds to be used to advance refund the Authority's Series 2012A Bonds. The bonds are payable in semi-annual installments through October 1, 2042. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by a Trust Indenture dated June 22, 2021 between the Issuer and Regions Bank, the trustee.
- (F) The Authority leased equipment for \$1,595 per month, including interest at 3.125%, with a final payment on July 2023. The Authority has exercised the end of lease purchase option of \$1.
- (G) On April 17, 2024, the Authority issued the Water Revenue Bonds Series 2024 in the original amount of \$5,000,000, which bear interest at 3.50% to 4.50%. The bonds are being issued to finance costs of acquiring, constructing, and equipping betterments and improvements to the Authority's water facilities, funding a debt service reserve, and paying expenses of issuing the bonds. The bonds are payable in semi-annual installments through October 1, 2054. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by a Trust Indenture dated April 17, 2024 between the Issuer and Regions Bank, the trustee.

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Notes to Financial Statements
December 31, 2024 and 2023**

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as restricted assets in the balance sheets. The indenture agreements also require the Authority to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 110% and restrictions on incurrence of additional debt. If the Authority fails to comply with its covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the covenant.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds payable outstanding at December 31, 2024:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,614,591	\$ 1,144,711
2026	1,646,638	1,119,060
2027	1,673,934	1,091,061
2028	1,706,487	1,059,833
2029	1,744,307	1,026,192
2030-2034	9,189,107	4,482,840
2035-2039	9,102,258	3,151,036
2040-2044	7,770,000	1,489,516
2045-2049	2,700,000	553,462
2050-2054	1,325,000	184,275
	<u>\$ 38,472,322</u>	<u>\$ 15,301,986</u>

Note 5: Construction Commitments

At December 31, 2024, the Authority had the following commitments:

	<u>Project Authorization</u>	<u>Expended Through December 31, 2024</u>	<u>Remaining Commitment</u>
Edgemont Station	\$ 1,325,045	\$ 437,342	\$ 887,703
4 MGD WTP Expansion	2,000,000	337,652	1,662,348
Indian Hills Pump Station	636,500	16,000	620,500

Note 6: Pension Plan

The Authority contributes to a non-trusted defined contribution SEP-IRA pension plan (Plan) covering substantially all employees who have been employed at least two years and who have attained the age of 18. The Plan was established to provide retirement and death benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and may be amended by the board of directors of the Authority. At December 31, 2024 and 2023, there were approximately 28 and 27 plan members, respectively. The Authority contributes 10% of employees' eligible compensation to the Plan. Contributions made by the Authority totaled \$167,895 and \$159,733 during 2024 and 2023, respectively. Employees are fully vested in all contributions to the Plan.

Note 7: Future Adoption of Accounting Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures*

The objective of GASB Statement No. 102, *Certain Risk Disclosures*, is to provide users of the financial statements essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. GASB 102 is effective for the Authority's fiscal year 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*

The objective of GASB Statement No. 103, *Financial Reporting Model Improvements*, is improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. GASB 103 is effective for the Authority's fiscal year 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

The objective of GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is to provide users of the financial statements with essential information about certain types of capital assets. GASB 103 is effective for the Authority's fiscal year 2026.

Supplementary Information

**Community Water System
Public Water Authority of the State of Arkansas
Schedule of Functional Expenses
Year Ended December 31, 2024**

	<u>Production Expense</u>	<u>Transmission and Distribution Expense</u>	<u>General and Administrative Expense</u>
Operating Expenses			
Materials and supplies	\$ 502,352	\$ 12,199	\$ 34,865
Salaries and fringe benefits	125,092	283,418	666,538
Contract billing and remittance	-	-	124,096
Repairs and maintenance	1,068,779	1,194,589	102,060
Grounds maintenance	12,414	6,514	13,148
Utilities and telephone	530,411	298,249	36,499
Cleaning and janitorial	882	-	1,558
Postage	-	-	2,614
Licenses and fees	1,509	16,742	-
Insurance	62,031	39,644	27,615
Directors' expense	-	-	20,372
Dues	-	-	6,940
Travel expense	-	-	23,773
Consulting fees	4,200	-	39,745
Annual meeting	-	-	14,280
Advertising and promotion	-	-	12,680
Other expense	9,958	43,420	41,137
Depreciation and amortization expense	556,652	866,130	145,725
Administrative allocation	-	-	(289,316)
	<u>2,874,280</u>	<u>2,760,905</u>	<u>1,024,329</u>
Nonoperating Expense			
Interest expense and bond issuance costs	<u>575,058</u>	<u>330,270</u>	<u>24,283</u>
Total functional expenses	<u>\$ 3,449,338</u>	<u>\$ 3,091,175</u>	<u>\$ 1,048,612</u>

Faulkner/ Cleburne Counties Distribution Expense		Total	
\$	1,320	\$	550,736
	182,132		1,257,180
	-		124,096
	223,276		2,588,704
	2,866		34,942
	311,816		1,176,975
	-		2,440
	-		2,614
	983		19,234
	19,967		149,257
	-		20,372
	-		6,940
	-		23,773
	8,650		52,595
	-		14,280
	-		12,680
	181,474		275,989
	653,716		2,222,223
	289,316		-
	<u>1,875,516</u>		<u>8,535,030</u>
	<u>313,830</u>		<u>1,243,441</u>
<u>\$</u>	<u>2,189,346</u>	<u>\$</u>	<u>9,778,471</u>

**Community Water System
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Schedules of Water Sales (Unaudited)
Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Gross water revenue		
Retail	\$ 4,047,620	\$ 3,321,524
Wholesale	<u>6,038,871</u>	<u>5,261,162</u>
Total revenue (water sales)	<u>\$ 10,086,491</u>	<u>\$ 8,582,686</u>
Number of connections (including wholesale connections)	<u>7,491</u>	<u>7,289</u>
Number of gallons sold		
Retail	288,206,400	289,799,500
Retail wholesale	75,182,000	68,511,000
Wholesale	<u>1,454,261,000</u>	<u>1,438,435,000</u>
Total gallons sold	<u>1,817,649,400</u>	<u>1,796,745,500</u>

**Community Water System
Public Water Authority of the State of Arkansas
Board of Directors (Unaudited)
Years Ended December 31, 2024 and 2023**

Name	Title
John Buster	President
Jackie Melton	Vice President
Brenda Smith	Treasurer
Terry Robinson	Board Member
Brenda Bates	Board Member

**Community Water System
Public Water Authority of the State of Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury				
Passed through from:				
Arkansas Natural Resources Commission				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	02063-ARPA-G	-	3,098,264
Total Schedule of Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,098,264</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Community Water System Public Water Authority of the State of Arkansas (Authority) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, 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 Audit Standards*), the financial statements of Community Water System Public Water Authority of the State of Arkansas (Authority), which comprise the balance sheet as of December 31, 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 March 17, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Little Rock, Arkansas

March 17, 2025

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Community Water System Public Water Authority of the State of Arkansas's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Little Rock, Arkansas

March 17, 2025

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

**Community Water System
Public Water Authority of the State of Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2024**

Reference Number	Summary of Finding	Status
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No matters are reportable.