

Buffalo Island Regional Water District

Audited Financial Statements

For the Year Ended June 30, 2025 and 2024

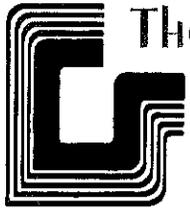
Thomas, Speight & Noble
Certified Public Accountants
1400 West Keiser Ave
Osceola, AR 72370
(870) 563-2638

Buffalo Island Regional Water District
Audited Financial Statements
And Required Supplementary Information

For the Years Ended June 30, 2025 and 2024

Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Financial Statements:	
Statements of Net Position.....	4-5
Statements of Revenues, Expenses & Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-18
INDEPENDENT AUDITORS' REPORT REQUIRED BY <i>GOVERNMENT</i>	
<i>AUDITING STANDARDS:</i>	
Report on Compliance & on Internal Control Over Financial Reporting.....	19-20
Schedule of Findings & Questioned Costs.....	21
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability.....	22
Schedule of Contributions.....	23



THOMAS, SPEIGHT & NOBLE, CPAs

A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE PRIVATE COMPANIES SECTION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Buffalo Island Regional Water District
Monette, Arkansas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Buffalo Island Regional Water District, which comprise the statement of net position as of June 30, 2025 and 2024, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Buffalo Island Regional Water District as of June 30, 2025 and 2024, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Buffalo Island Regional Water District 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 for the Financial Statements

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

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 Buffalo Island Regional Water District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

206 WARD AVENUE
PO Box 1154
CARUTHERSVILLE, MO 63830
573-333-4225
FAX 573-333-4443

420 WEST WALNUT
PO Box 205
Blytheville, AR 72315
870-762-5831
FAX 870-762-5833

1400 WEST KEISER
PO Box 644
OSCEOLA, AR 72370
870-563-2638
FAX 870-563-3794

915 TOWNSEND DRIVE
PO Box 700
POCAHONTAS, AR 72455
870-892-2575
FAX 870-892-2576

1120 Windover Rd
PO Box 17167
JONESBORO, AR 72401
870-932-5858
FAX 870-932-2030

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Management has omitted the management's discussion and analysis and budgetary comparison that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial report for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions 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 the 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of Buffalo Island Regional Water District'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 the effectiveness of Buffalo Island Regional Water District'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 Buffalo Island Regional Water District's internal control over financial reporting and compliance.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Osceola, Arkansas
October 31, 2025

Buffalo Island Regional Water District
 Statements of Net Position
 As of June 30, 2025 and 2024

ASSETS

	2025	2024
Current assets:		
Cash and cash equivalents	\$ 195,299	\$ 350,443
Accounts receivable, trade	88,939	139,464
Unbilled sales	26,717	24,717
Prepaid expenses	15,016	13,299
Inventory	45,791	52,239
Total current assets	371,762	580,162
Capital assets:		
Furniture and equipment, net of accumulated depreciation	6,805,521	7,009,097
Land	24,580	24,580
Net capital assets	6,830,101	7,033,677
Other assets:		
Deferred pension outflows	113,827	57,182
Cash and cash equivalents - Restricted	319,012	289,212
Total other assets	432,839	346,394
TOTAL ASSETS	\$ 7,634,702	\$ 7,960,233

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

Buffalo Island Regional Water District
 Statements of Net Position
 As of June 30, 2025 and 2024

LIABILITIES AND NET POSITION

	2025	2024
Current liabilities:		
Payroll liabilities	\$ 5,173	\$ 5,865
Accounts payable	16,739	95,485
Accrued interest	14,917	14,917
Accrued sales tax	21,319	6,242
Current portion of long-term debt	141,315	136,811
Total current liabilities	<u>199,463</u>	<u>259,320</u>
Long-term liabilities:		
Long-term debt, net of current portion	3,411,389	3,552,703
Net pension liability	310,897	220,869
Total long-term liabilities	<u>3,722,286</u>	<u>3,773,572</u>
Liabilities payable from restricted assets:		
Customer deposits	<u>96,767</u>	<u>97,333</u>
Deferred inflow of resources:		
Deferred pension inflows	<u>20,462</u>	<u>13,573</u>
TOTAL LIABILITIES	<u>4,038,978</u>	<u>4,143,798</u>
NET POSITION:		
Net investment in capital assets	3,277,397	3,344,163
Restricted for debt service and capital outlays	185,226	185,226
Unrestricted	133,101	287,046
TOTAL NET POSITION	<u>3,595,724</u>	<u>3,816,435</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,634,702</u>	<u>\$ 7,960,233</u>

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

Buffalo Island Regional Water District
 Statements of Revenues, Expenses Changes in Net Position
 For the years ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Water Sales	\$ 825,655	\$ 782,558
Late Charges	13,944	10,317
Water Tap Fees	3,330	8,267
Reimbursements from ARDOT	-	63,617
Miscellaneous Revenue	7,065	5,043
Total Operating Revenues	849,994	869,802
OPERATING EXPENSES		
Repairs and Maintenance	55,903	156,362
Salaries and Wages	259,536	246,709
Payroll taxes	18,317	19,030
Employee Insurance	55,285	81,126
Insurance	63,104	56,376
Utilities	21,565	13,519
Telephone	5,461	5,696
Legal & Accounting	11,850	11,385
Postage	8,365	9,566
Depreciation	253,374	249,146
Dues & Subscriptions	2,780	20,106
Supplies	16,683	12,112
Office	15,439	17,455
APERS Retirement (Company)	78,077	78,563
Plant Expenses	65,042	74,591
Truck Expense	35,267	24,401
Miscellaneous	11,554	9,709
Total operating expenses	977,602	1,085,852
Net Operating Income (Loss)	(127,608)	(216,050)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	4,733	10,434
Gain on Sale of Fixed assets	14,025	-
Interest expense	(111,861)	(106,732)
Total Non-operating Revenues (Expenses)	(93,103)	(96,298)
Net Income	(220,711)	(312,348)
NET POSITION, BEGINNING OF YEAR	3,816,435	4,128,783
NET POSITION, END OF YEAR	\$ 3,595,724	\$ 3,816,435

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

Buffalo Island Regional Water District
Statements of Cash Flows
For the years ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 898,518	\$ 821,724
Cash paid to suppliers	(484,047)	(469,330)
Cash paid to employees	(259,536)	(246,709)
Net cash provided by operating activities	<u>154,935</u>	<u>105,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	4,733	10,434
Net cash provided by investing activities	<u>4,733</u>	<u>10,434</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Service deposits collected (refunded)	(567)	2,501
Capital expenditures	(56,773)	(273,040)
Proceeds from sale of assets	21,000	-
Principal payments on debt	(136,810)	(132,454)
Interest paid	(111,862)	(116,007)
Net cash provided by/(used for) financing activities	<u>(285,012)</u>	<u>(519,000)</u>
NET INCREASE/(DECREASE) IN CASH	(125,344)	(402,881)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>639,655</u>	<u>1,042,536</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 514,311</u>	<u>\$ 639,655</u>
RECONCILIATION OF NET OPERATING INCOME TO CASH PROVIDED		
BY OPERATING ACTIVITIES:		
Net operating income (loss)	\$ (127,608)	\$ (216,050)
Adjustments		
Depreciation	253,374	249,146
(Increase)/decrease in operating assets:		
Accounts receivable	50,524	(48,077)
Unbilled revenues	(2,000)	-
Inventory	6,452	(3,817)
Prepaid expense	(1,717)	(868)
Deferred pension outflows	(56,645)	39,296
Increase/(decrease) in operating liabilities:		
Payroll liabilities	(693)	(4,617)
Accounts payable	(78,745)	87,860
Accrued expenses	15,076	(440)
Deferred pension flows	6,889	8,286
Net pension liability	90,028	(5,034)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	<u>\$ 154,935</u>	<u>\$ 105,685</u>

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

Note 1: Summary of Significant Accounting Policies

Basis of Accounting:

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded. Enterprise Funds use the accrual basis of accounting to record the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred.

Measurement Focus and Financial Statement Presentation:

The term “measurement focus” is used to denote what is being measured and reported in BIRWD’s operating statement. BIRWD is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the BIRWD is better or worse off economically as a result of events and transactions of the period.

BIRWD adopted provisions of Governmental Accounting Standards Board Statement No. 34 “*Basic Financial Statements for State and Local Governments.*” Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. It requires classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets, net of related debt*—This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted*—This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there is both restricted and unrestricted net position available, it is the District’s policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.
- *Unrestricted*—This component of net position consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all cash, time deposits, and certificates of deposit with initial maturities of twelve months or less to be cash equivalents.

Customer Accounts Receivable:

The District uses the direct write-off method for accounting for bad debt. Water charges receivable as shown in the statement of net position are stated at net realizable value. The use of this method is not materially different from the values reported under the allowance method.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - Restricted:

Certain proceeds of the District's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements are classified as cash and cash equivalents -- restricted on the statement of net position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Funds set aside to refund customer deposits are classified as cash and cash equivalents -- restricted since their use is limited for that purpose.

Capital Assets:

The cost of additions and major replacements of retired units of property are capitalized. The Utility defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses, and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Distribution system	10-50 Years
Pumps, vehicles and small equipment	3-7 Years
Property improvements	10-20 Years

Inventory:

Inventory is stated using the first-in, first-out method with application of lower of cost or net realizable value.

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.

Pension Plan:

All eligible employees participate in the Arkansas Employees Retirement System (APERS), a statewide cost-sharing multiple employer pension plan established by the authority of the Arkansas General Assembly. APERS provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. Contribution requirements are set forth by Arkansas Statute, and the District is required to contribute at an actuarially determined rate, which is 15.32% for the fiscal years ended June 30, 2025 and 2024.

Because the plan is a multi-employer defined benefit pension plan, accounting principles generally accepted in the United States of America require the cost of employee's pensions to be recognized over the employee's respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses:

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The District has one item that qualifies for reporting in this category. In regards to the deferred outflow of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 8 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. In regards to the deferred inflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 8 for additional information.

Budgets and Budgetary Accounting:

Prior to the beginning of the new fiscal year, the District adopts an annual budget. The budget is adopted under a basis consistent with GAAP. All annual appropriations lapse at year-end.

Note 2: Restricted Cash

Cash and cash equivalents – restricted consists of cash reserves restricted by long-term debt covenants and customer deposits. The long-term debt covenants require minimum reserves as discussed in Note 7. Cash restricted for debt reserves as of June 30, 2025 and 2024 was \$219,962 and \$185,226, respectively, and for customer deposits was \$99,050 and \$103,986.

Note 3: Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. BIRWD maintains bank accounts in multiple financial institutions located in Northeast Arkansas. Due to the dollar amounts of cash deposits and investments, and the limits of the FDIC, the District was required to secure additional deposits of \$169,513 by pledging securities held by the pledging financial institution's trust department. As of June 30, 2025 and 2024, all bank balances were insured or collateralized.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 4: Risk Management

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of any actual or potential claims as of June 30, 2025 and 2024 will not materially affect the financial condition of the District.

Note 5: Property and Equipment

Property and equipment as of June 30, 2025 consisted of the following:

	<u>Balance</u> <u>6/30/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2025</u>
Capital assets being depreciated				
Water system	\$2,957,065	\$ 7,780	\$ -	\$ 2,964,845
Well & tank project	7,268,872	-	-	7,268,872
Buildings	546,487	-	-	546,487
Vehicles, tools & equipment	<u>318,458</u>	<u>48,993</u>	<u>(33,473)</u>	<u>333,978</u>
Total capital assets being depreciated	11,090,882	56,773	(33,473)	11,114,182
Less accumulated depreciation for:				
Water system	(1,928,177)	(54,798)	-	(1,982,975)
Well & tank project	(1,751,785)	(155,921)	-	(1,907,706)
Buildings	(157,529)	(13,451)	-	(170,980)
Tools & equipment	<u>(244,294)</u>	<u>(29,204)</u>	<u>26,498</u>	<u>(247,000)</u>
Total accumulated depreciation	<u>(4,081,785)</u>	<u>(253,374)</u>	<u>26,498</u>	<u>(4,308,661)</u>
Total capital assets, net of accumulated depreciation	\$7,009,097	\$(196,601)	\$ (6,975)	\$ 6,805,521
Capital assets not being depreciated				
Land	<u>24,580</u>	-	-	<u>24,580</u>
Total net capital assets	<u><u>\$7,033,677</u></u>	<u><u>\$(196,601)</u></u>	<u><u>\$ (6,975)</u></u>	<u><u>\$ 6,830,101</u></u>

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 5: Property and Equipment (Continued)

Property and equipment as of June 30, 2024 consisted of the following:

	<u>Balance</u> <u>6/30/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2024</u>
Capital assets being depreciated				
Water system	\$2,938,943	\$ 18,122	\$ -	\$ 2,957,065
Well & tank project	7,036,267	232,605	-	7,268,872
Buildings	546,487	-	-	546,487
Vehicles, tools & equipment	296,145	22,313	-	318,458
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	10,817,842	273,040	-	11,090,882
Less accumulated depreciation for:				
Water system	(1,870,303)	(57,874)	-	(1,928,177)
Well & tank project	(1,604,997)	(146,788)	-	(1,751,785)
Buildings	(143,757)	(13,772)	-	(157,529)
Tools & equipment	(213,582)	(30,712)	-	(244,294)
Total accumulated depreciation	<hr/> (3,832,639) <hr/>	<hr/> (249,146) <hr/>	<hr/> - <hr/>	<hr/> (4,081,785) <hr/>
Total capital assets, net of accumulated depreciation	\$6,985,203	\$ 23,894	\$ -	\$ 7,009,097
Capital assets not being depreciated				
Land	24,580	-	-	24,580
Total net capital assets	<hr/> <u>\$7,009,783</u> <hr/>	<hr/> <u>\$ 23,894</u> <hr/>	<hr/> <u>\$ -</u> <hr/>	<hr/> <u>\$ 7,033,677</u> <hr/>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$ 253,374 and \$249,146, respectively.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 6: Long-term Debt

Long-term debt at June 30, 2025 and 2024 consisted of the following:

	<u>ADFA</u>	<u>USDA, Rural Development</u>	<u>Total</u>
Original Amount	\$ 3,966,784	\$ 1,001,000	\$ 4,967,784
Date of Note	10/29/2009	10/27/2016	
Interest Rate	2.500%	1.875%	
Service Charge	1.000%		
Frequency of Payment	Semi-Annual	Monthly	
Payment Amount	\$ 107,632	\$ 2,973	
<u>Maturities for Fiscal Years Ended:</u>			
June 30, 2026	\$ 121,038	\$ 20,277	\$ 141,315
2027	125,311	20,660	145,971
2028	129,735	20,826	150,561
2029	134,315	21,220	155,535
2030	139,058	21,621	160,679
2031-2035	772,491	114,395	886,886
2036-2040	918,935	125,629	1,044,564
2041-2045	381,286	137,966	519,252
2046-2050		151,515	151,515
2051-2055		166,394	166,394
2056-2057		30,032	30,032
Total Maturities	<u>\$ 2,722,169</u>	<u>\$ 830,535</u>	<u>\$ 3,552,704</u>

All bonds are secured by revenues and distribution system of the District. Analysis of changes to the District's long-term debt are as follows:

Total long-term debt at beginning of year	\$ 3,689,514
Additional borrowings	-
Note payable retirements	<u>(136,810)</u>
Total long-term debt at end of year, net	3,552,704
Less current portion	<u>(141,315)</u>
Non-current portion	<u>\$ 3,411,389</u>

Interest expense was \$111,861 and \$106,732 for the years ended June 30, 2025 and 2024, respectively.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 7: Bond Requirements

BIRWD must maintain certain requirements after receiving bonds from the United States Department of Agriculture (USDA). The bonds require that funds be established as described below.

The District is required to establish a Debt Reserve Fund. A full year of payments shall be made over a ten year period, until a debt service reserve shall have been accumulated in an amount equal to \$35,676. Required funding for the debt reserve as of June 30, 2025 was \$30,992 and as of June 30, 2024 was \$27,416. Actual funding in this account at both June 30, 2025 and 2024 was \$39,648.

In addition to the debt service reserve, the District is required to maintain a Short-Lived Asset Reserve. The reserve can be used as needed for the replacement of items related to the treatment plant as specified in the preliminary engineering report. The reserve is to be maintained with monthly or annual deposits, along with records documenting the use of any funds expended from the reserve. The District was given permission to withdraw \$7,559 from the account in December 2023 for a new soft starter. As of June 30, 2025 and 2024, the required balances were \$161,583 and \$120,903. Actual funding in this account at June 30, 2025 and 2024 was \$180,315 and \$145,578, respectively. The District was in compliance with all bond covenants.

Note 8: Public Employees Retirement System

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (“APERS”) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost-sharing, multi-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 793 of 1977. 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 or 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.

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	2.03%
Non-Contributory	1.72%

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 8: Public Employees Retirement System (Continued)

Benefits provided (continued)

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

- at age 65 with 5 years of service,
- at any age with 28 years of actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- 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 at age 55 or at any age with 25 years of service. The plan also provides for disability and survivor benefits.

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 5.5% of their salary. Employers 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, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

At June 30, 2025, the District had four eligible and active participants. The District's contributions for the year ended June 30, 2025 were \$38,050. At June 30, 2024, the District had five eligible and active participants. The District's contributions for the year ended June 30, 2024 were \$39,181.

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability of \$2,488,121,912 was measured at June 30, 2024, and that 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.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 8: Public Employees Retirement System (Continued)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources as of June 30, 2024, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,065	\$ (12,711)
Net difference between projected and actual earnings on pension plan investments	9,019	-
Changes of assumptions	10,835	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,908	(7,751)
Contributions subsequent measurement date	38,050	
	\$ 151,877	\$ (20,462)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2025, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the District's financial statements as follows:

Years ended June 30:	
2025	\$ 24,691
2026	70,366
2027	5,748
2028	(7,440)
	\$ 93,365

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Discount rate	7.00%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return*	7.00%
Mortality rate table	RP-2006 HealthyAnnuitant benefit weighted generational mortality tables, adjusted for fully generational mortality improvements using Scale MP-2017, multiplied by 135% for males and 125% for females

*Net investment and administrative expenses

All other actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2013, and were applied to all prior periods included in the measurement.

Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 8: Public Employees Retirement System (Continued)

Investment Rate of Return

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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021-2030 were based on capital market assumptions provided by plan's investment consultant. For each major class included in the plan's target asset allocation as of June 30, 2024, these best estimates were summarized in the following table:

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	39.00%	5.03%
International equity	17.00%	6.34%
Real estate	16.00%	4.51%
Private equity	5.00%	9.00%
Hedge funds	2.00%	3.63%
Domestic fixed	21.00%	3.38%
	<u>100.00%</u>	

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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.

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

The following presents the proportionate share of the net pension liability using the discount rate of 7.0%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
\$ 530,502	\$ 310,897	\$ 129,849

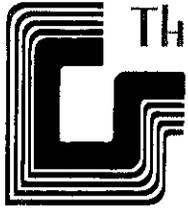
Buffalo Island Regional Water District
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Water Rates

BIRWD water revenues are determined each month by meter measurements. The rates for customers as of June 30, 2025, were as follows: \$33.25/1,000 gallons of water and for the excess of 1,000 gallons the rate is \$7.50/1,000 gallons used after management enacted a \$2.50/1,000 gallons in excess of 1,000 in May 2025. As of June 30, 2024, rates were as follows: \$33.25/1,000 gallons of water and for the excess of 1,000 gallons the rate is \$5.00/1,000 gallons used.

Note 10: Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through October 31, 2025, the date the financial statements were available to be issued.



THOMAS, SPEIGHT & NOBLE, CPAs

A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE PRIVATE COMPANIES SECTION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors and Management of
Buffalo Island Regional Water District
Monette, 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 Buffalo Island Regional Water District, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Buffalo Island Regional Water District's basic financial statements and have issued our report thereon dated October 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of Buffalo Island Regional Water District as of and for the years ended 2025 and 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Buffalo Island Regional Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buffalo Island Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Island Regional Water District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 and 2025-002, that we consider to be a material weakness.

206 WARD AVENUE
PO Box 1154
CARUTHERSVILLE, MO 63830
573-333-4225
FAX 573-333-4443

420 WEST WALNUT
PO Box 205
Blytheville, AR 72315
870-762-5831
FAX 870-762-5833

1400 WEST KEISER
PO Box 644
OSCEOLA, AR 72370
870-563-2638
FAX 870-563-3794

915 TOWNSEND DRIVE
PO Box 700
POCALONTAS, AR 72455
870-892-2575
FAX 870-892-2576

1120 WINDOVER Rd
PO Box 17167
JONESBORO, AR 72401
870-932-5858
FAX 870-932-2030

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Buffalo Island Regional Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-002.

Buffalo Island Regional Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 effective 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.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Osceola, Arkansas
October 31, 2025

Buffalo Island Regional Water District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weakness(es) identified?	<u>x</u> Yes <u> </u> No
Any significant deficiency(ies) identified?	<u> </u> Yes <u>x</u> No
Any noncompliance material to financial statements noted?	<u>x</u> Yes <u> </u> No

Section II - Financial Statement Findings

Finding: 2025-001

Material Weakness - Internal Control over Financial Reporting

Segregation of duties

Condition: Buffalo Island Regional Water Distribution District does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the District's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: The District's management and governance should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.

Finding: 2025-002

Noncompliance Material to Financial Statements

Misappropriation of assets

Condition: During our audit, it came to our attention that 2 employees were overpaid in the form of additional payroll checks and unauthorized overtime by an approximate total of \$15,000.

Cause: Lack of segregation of duties and lack of supervisory review.

Effect: District funds were misused, resulting in a financial loss to the District.

Recommendation: The District should implement stronger internal controls over payroll processing, including independent reconciliations and periodic reviews.

Views of responsible officials and planned corrective actions: The discovered employees were terminated and the District has implemented supervisory review procedures.

Buffalo Island Regional Water District
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2025

	2024	2023	2022	2021
Proportion of the net pension liability	0.01250%	0.00758%	0.00838%	0.00811%
Proportionate share of the net pension liability	\$ 310,897	\$ 220,869	\$ 225,903	\$ 62,355
Covered-employee payroll	248,368	199,976	175,587	161,710
Proportionate share of the net pension liability as percentage of covered-employee payroll	125.18%	110.45%	128.66%	38.56%
Plan's fiduciary net position	\$11,044,957,481	\$10,295,304,391	\$9,733,838,631	\$11,185,453,706
Plan's fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%	93.57%

Actuarial valuations as of June 30, 2025 were not available as of October 31, 2025.

**Buffalo Island Regional Water District
Schedule of Contributions
For the Years Ended June 30, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 38,609	\$ 30,636	\$ 26,829	\$ 24,774
Contributions in relation to the contractually required contributions	<u>39,181</u>	<u>30,796</u>	<u>26,913</u>	<u>24,811</u>
Contribution excess (deficiency)	<u>\$ 572</u>	<u>\$ 160</u>	<u>\$ 84</u>	<u>\$ 37</u>
District's covered-employee payroll	\$ 252,019	\$ 199,976	\$ 175,587	\$ 161,710
Contributions as a percentage of covered-employee payroll	15.55%	15.40%	15.33%	15.34%

Actuarial valuations as of June 30, 2025 were not available as of October 31, 2025.