

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY STATE OF ARKANSAS
FOX, ARKANSAS

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
West Stone County Water Association, Public Water Authority, State of Arkansas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Stone County Water Association, Public Water Authority, State of Arkansas as of and for the year ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof 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 the West Stone County Water Association, Public Water Authority, State of Arkansas 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 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 West Stone County Water Association, Public Water Authority, State of Arkansas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the West Stone County Water Association, Public Water Authority, State of Arkansas'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 West Stone County Water Association, Public Water Authority, State of Arkansas'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 Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, on our consideration of 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 West Stone County Water Association, Public Water Authority, State of Arkansas'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 West Stone County Water Association, Public Water Authority, State of Arkansas's internal control over financial reporting and compliance.

Turner, Williams and Associates, P.A.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
September 26, 2024

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 326,843	\$ 396,760
Accounts receivable - water sales	221,837	208,126
Accounts receivable - other	-	20,168
Prepaid expenses	4,479	3,574
Total Current Assets	553,159	628,628
Property, Plant, and Equipment:		
Property, plant, and equipment, net of depreciation (Note 3)	6,091,276	6,284,250
Total Property, Plant, and Equipment	6,091,276	6,284,250
Other assets:		
Restricted assets (Note 4)	337,562	339,228
Total Other Assets	337,562	339,228
Total Assets	\$ 6,981,997	\$ 7,252,106

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current Liabilities:		
Accounts payable	\$ 64,977	\$ 42,241
Accrued taxes, payroll & benefits	530	658
Accrued interest payable	21,206	22,201
Customer meter deposits	62,598	57,900
Current portion long-term debt	105,000	100,000
Total Current Liabilities	254,311	223,000
Long-term Liabilities		
Bonds and notes payable (Note 6)	2,355,000	2,455,000
Less: Current portion long-term debt	(105,000)	(100,000)
Total Long-term Liabilities	2,250,000	2,355,000
Total Liabilities	2,504,311	2,578,000
Deferred Inflows of Resources		
Deferred revenue	26,974	26,666
Total Deferred Inflows of Resources	26,974	26,666
Net Position		
Unrestricted net position	439,472	536,862
Net investment in capital assets	3,736,276	3,829,250
Restricted net position:		
Restricted for debt service	84,484	83,484
Restricted for capital improvements	190,480	197,844
Total Net Position	4,450,712	4,647,440
Total Liabilities and Deferred Inflows of Resources and Net Position	\$ 6,981,997	\$ 7,252,106

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating revenue		
Water revenue	\$ 1,427,899	\$ 1,394,872
Tap and connection fees	32,665	41,480
Other income	2,286	9,978
 Total revenue	 1,462,850	 1,446,330
 Operating expenses		
Water purchased	453,993	429,571
Depreciation expense	331,093	312,496
Salaries and benefits	306,982	246,945
Water distribution system repairs	118,245	92,744
Utilities and phone	106,624	79,528
Insurance	52,478	43,746
Sales tax	102,925	109,776
Vehicle expenses	47,275	41,845
Payroll taxes	25,605	16,448
Fees and dues	44,131	44,931
Miscellaneous expenses	5,098	852
Office supplies	16,167	18,533
 Total operating expenses	 1,610,616	 1,437,415
 Net operating income (loss)	 (147,766)	 8,915
 Nonoperating revenue (expense)		
Interest income	15,513	10,191
Insurance reimbursements	-	43,049
Interest expense	(64,474)	(67,067)
 Other income (expense), net	 (48,961)	 (13,827)
 Increase (decrease) in net position	 \$ (196,727)	 \$ (4,912)

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>Unrestricted Net Position</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Total 2024</u>	<u>2023</u>
Net assets at beginning of year	\$ 536,861	\$ 3,829,250	\$ 281,328	\$ 4,647,439	\$ 4,652,352
Transfers to restricted	(231,755)	238,119	(6,364)	-	-
Change in net position	<u>134,366</u>	<u>(331,093)</u>	<u>-</u>	<u>(196,727)</u>	<u>(4,912)</u>
Net assets at end of year	<u>\$ 439,472</u>	<u>\$ 3,736,276</u>	<u>\$ 274,964</u>	<u>\$ 4,450,712</u>	<u>\$ 4,647,440</u>

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from customers	\$ 1,473,408	\$ 1,459,832
Cash paid for water	(453,993)	(429,572)
Cash paid to suppliers	(496,808)	(457,521)
Cash paid to employees	<u>(307,110)</u>	<u>(246,945)</u>
Net cash provided (used) by operating activities	<u>215,497</u>	<u>325,794</u>
Cash flows from investing activities		
Interest income	<u>15,513</u>	<u>10,191</u>
Net cash provided (used) by investing activities	<u>15,513</u>	<u>10,191</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(138,119)	(316,884)
Cash received from insurance/reimbursements	-	43,049
Principal paid on capital debt	(100,000)	(100,000)
Interest paid on capital debt	<u>(64,474)</u>	<u>(67,067)</u>
Net cash provided (used) by capital and related financing activities	<u>(302,593)</u>	<u>(440,902)</u>
Net increase (decrease) in cash and cash equivalents	(71,583)	(104,917)
Cash and cash equivalents at beginning of year	<u>735,988</u>	<u>840,905</u>
Cash and cash equivalents at end of year	<u>\$ 664,405</u>	<u>\$ 735,988</u>

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Reconciliation of operating income/(loss) to net cash provided /(used) by operating activities

Net operating income/(loss)	\$ (147,766)	\$ 8,915
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	331,093	312,496
Change in assets and liabilities which provided/(used) cash		
Accounts receivable	(13,711)	(3,406)
Prepaid expenses	(905)	(388)
Other receivables	20,168	6,928
Accounts and other payables	22,736	(3,519)
Customer meter deposits	4,698	3,838
Deferred revenue	308	6,142
Accrued expenses	<u>(1,124)</u>	<u>(5,212)</u>
Net cash provided (used) by operating activities	<u>\$ 215,497</u>	<u>\$ 325,794</u>
Reconciliation:		
Unrestricted cash and cash equivalents	\$ 326,843	\$ 396,760
Restricted cash and cash equivalents	<u>337,562</u>	<u>339,228</u>
Cash and cash equivalents at end of year	<u>\$ 664,405</u>	<u>\$ 735,988</u>

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The West Stone County Water Association (the Association) was organized as a Public Water Authority of the State of Arkansas for the purpose of distributing water to its rural constituency in Stone County, Arkansas.

Basis of Accounting

The financial statements of the Association are prepared in accordance with generally accepted accounting principles (GAAP). It applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements and apply all FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The accounting objectives of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Operating revenues and expenses are distinguished from other income (expense) items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues (expenses) not meeting this definition are reported as other nonoperating income (expenses), but remain a major component of the overall revenues and expenses of the Association.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and regulatory requirements. Accordingly, net position of the System and changes therein are classified and reported as follows as required by GASB:

Unrestricted Net Position - consists of all other fund position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Restricted Net Position— Component of net position that consist of amounts which have external constraints placed on its use 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.

Net investment in Capital Assets- consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Fair value of financial instruments

The estimated fair values of the Association's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Income taxes

The Association is a political subdivision of the State of Arkansas and is exempt from federal income taxes.

Management has evaluated the Association's tax position and concluded the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the United States federal, state or local authorities for years before 2020.

Concentration of Credit Risk

Sales of water services are made on open account to customers located in the West Stone County Water area and are collateralized to the extent of each customer's meter deposit.

Concentration of Custodial Risk

The Association had deposits in multiple local banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The custodial risk is the risk that in the event of bank failure, the Association's deposits may not be returned to the system. The Association's deposit policy for custodial credit risk requires compliance with the provisions of the state law. State law requires collateralization of all deposits with federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. At June 30, 2024, \$114,207 of the Department's deposits were not insured or collateralized and at June 30, 2023, all of the Department's deposits were insured or collateralized.

Concentration of Vendor Risk

Purchases for the years ended June 30, 2024 and 2023, the Association purchased \$453,993 and \$429,571 of water from Mountain View and Community Water. These purchases accounted for 100% of the water purchased by the Association. Management believes no significant risk is present under this arrangement.

Cash and cash equivalents

Cash and cash equivalents include all short term highly liquid investments with original maturities of three months or less which are readily convertible to cash.

Accounts receivable

Accounts receivable consist of amounts due for water sales and various miscellaneous charges. Meter deposits are considered to adequately cover past due accounts, therefore no allowance for doubtful accounts has been recorded. There was bad debt expense of \$2,599 for the year ended June 30, 2024 and no bad debt expense for the year ended June 30, 2023.

Inventories

Materials and supplies inventories are reported at the lower of cost or market, determined by using the first-in, first-out method.

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Property and equipment

Acquisitions of property and equipment in excess of \$1,000 and a useful life of greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Interest expenditures incurred on construction projects are capitalized as a cost of construction. Depreciation is computed using primarily the straight-line method over the following estimated useful lives:

Buildings	39-40 years
Vehicles and equipment	5-15 years
Land	Indefinite
Water distribution system	40 years

Depreciation expense was \$331,093 and \$312,496 for the years ended June 30, 2024 and 2023, respectively.

Customer deposits

As a security for payment of bills, the Association requires a deposit from customers. No interest is paid on such deposits.

Revenue recognition

The Association's revenue is derived primarily from water. Revenue is recognized on the accrual basis and is recorded as services are provided. Operating revenues result from providing services in connection with the principal ongoing operations. Non-operating revenues represent all other revenue not meeting this definition. Accounts receivable and revenues reported on the Association's financial statements include an estimate of charges for services provided but unbilled at year end.

Sales taxes

Sales taxes charged to the Association's customers are recorded as revenue when received. An expense is then recorded when these amounts are remitted to the appropriate taxing authority. Sales tax expense is a component of operating expenses.

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Association's deferred inflows consist of deferred revenue, which are prepayments received from customers, that will be recognized as income when water usage is billed to the customer.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through September 26, 2024, the date which the financial statements were available to be issued.

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

2) CASH AND INVESTMENTS

At June 30, 2024 and 2023, cash balances exceed the FDIC coverage and collateral was pledged to the Authority. The table presented below is designed to disclose the level of custody credit risk assumed by the Authority based upon how its deposits were insured or secured with collateral at June 30, 2024 and 2023. The categories of credit risk are defined as follows:

Category 1- Insured by FDIC or collateralized with securities held by the Authority (or public trust) or by its agents in its name.

Category 2- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution's trust Authority or agent in the Authority's name.

Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust Authority or agent but not in the Authority's name; or collateralized with no written or approved collateralized agreement.

	<u>2024</u>	<u>2023</u>
Category 1	\$ 281,877	\$ 303,077
Category 2	284,111	436,688
Category 3	<u>114,207</u>	<u>-</u>
	<u>\$ 680,195</u>	<u>\$ 739,765</u>

3) PROPERTY AND EQUIPMENT

At June 30, 2024 and 2023, the carrying value and accumulated depreciation of property and equipment are as follows:

Activity for the Association for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land and buildings	\$ 129,329	\$ -	\$ -	\$ 129,329
Water distribution system	10,812,469	15,680	-	10,828,149
Equipment	<u>1,185,654</u>	<u>122,439</u>	-	<u>1,308,093</u>
Totals, capital assets	12,127,452	138,119	-	12,265,571
Less accumulated depreciation for:				
capital assets	<u>(5,843,202)</u>	<u>(331,093)</u>	-	<u>(6,174,295)</u>
Total capital assets, net	<u>\$ 6,284,250</u>	<u>\$ (192,974)</u>	<u>\$ -</u>	<u>\$ 6,091,276</u>

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Activity for the Association for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land and buildings	\$ 125,658	\$ 3,671	\$ -	\$ 129,329
Water distribution system	10,465,264	347,205	-	10,812,469
Equipment	966,428	219,226	-	1,185,654
Construction in progress	<u>200,963</u>	<u>-</u>	<u>(200,963)</u>	<u>-</u>
Totals, capital assets	11,758,313	570,102	(200,963)	12,127,452
Less accumulated depreciation for: capital assets	<u>(5,530,706)</u>	<u>(312,496)</u>	<u>-</u>	<u>(5,843,202)</u>
Total capital assets, net	<u>\$ 6,227,607</u>	<u>\$ 257,606</u>	<u>\$ (200,963)</u>	<u>\$ 6,284,250</u>

4) RESTRICTED ASSETS AND BOARD DESIGNATED RESERVES

Restricted assets consist of customer meter deposits and bond reserve accounts. Board designated reserves are included in unrestricted cash on the Statement of Financial Position.

Temporarily restricted assets at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Customer meter deposits	\$ 62,598	\$ 57,900
Reserve accounts – debt reserves	84,484	83,484
Restricted for capital improvements	<u>190,480</u>	<u>197,844</u>
Total restricted assets	<u>\$ 337,562</u>	<u>\$ 339,228</u>

5) LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2024</u>	<u>2023</u>
Bond payable (See description below)	\$ 2,355,000	\$ 2,455,000
Total long-term debt	<u>\$ 2,355,000</u>	<u>\$ 2,455,000</u>

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Bonds payable

2020 Series Revenue Refunding

On June 9, 2020, the Association issued bonds in the amount of \$2,670,000 in order to refinance USDA loans and the 2014 Revenue Bond issue. According to the bond agreement payments are required to be made by the 20th of every month into a bond reserve fund. The monthly payment is recomputed every year in order to fund the current bond maturities. Principal and interest payments are made every September 1 and interest only on March 1.

<u>Date</u>	<u>Principal</u>	<u>Date</u>	<u>Principal</u>	<u>Date</u>	<u>Principal</u>
09/01/20	20,000	09/01/27	115,000	09/01/34	135,000
09/01/21	95,000	09/01/28	115,000	09/01/35	135,000
09/01/22	100,000	09/01/29	120,000	09/01/36	140,000
09/01/23	100,000	09/01/30	120,000	09/01/37	145,000
09/01/24	105,000	09/01/31	125,000	09/01/38	150,000
09/01/25	105,000	09/01/32	125,000	09/01/39	155,000
09/01/26	110,000	09/01/33	130,000	09/01/40	160,000
				09/01/41	165,000

The balance of bonds outstanding as of June 30, 2024 and 2023 was \$2,355,000 and 2,455,000, respectively.

Changes in long-term debt are as follows for the year ended June 30, 2024:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amounts</u>	<u>Amounts due</u>
	<u>6/30/2023</u>			<u>6/30/2024</u>	<u>due within</u>	<u>greater than</u>
					<u>one year</u>	<u>one year</u>
Revenue bonds payable	\$ 2,455,000	\$ -	\$ (100,000)	\$ 2,355,000	\$ 105,000	\$ 2,250,000
Total non-current liabilities	\$ 2,455,000	\$ -	\$ (100,000)	\$ 2,355,000	\$ 105,000	\$ 2,250,000

Changes in long-term debt are as follows for the year ended June 30, 2023:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amounts</u>	<u>Amounts due</u>
	<u>6/30/2022</u>			<u>6/30/2023</u>	<u>due within</u>	<u>greater than</u>
					<u>one year</u>	<u>one year</u>
Revenue bonds payable	\$ 2,555,000	\$ -	\$ (100,000)	\$ 2,455,000	\$ 100,000	\$ 2,355,000
Total non-current liabilities	\$ 2,555,000	\$ -	\$ (100,000)	\$ 2,455,000	\$ 100,000	\$ 2,355,000

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 105,000	63,969
2026	105,000	60,819
2027	110,000	57,669
2028	115,000	55,469
2029	115,000	53,169
2030 – 2034	620,000	224,413
2035 – 2039	705,000	135,638
Thereafter	<u>480,000</u>	<u>29,100</u>
	<u>\$ 2,355,000</u>	<u>\$ 680,246</u>

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
West Stone County Water Association, Public Water Authority, State of Arkansas

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise West Stone County Water Association, Public Water Authority, State of Arkansas's basic financial statements and have issued our report thereon dated September 26, 2024.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of West Stone County Water Association, Public Water Authority, State of Arkansas, we considered West Stone County Water Association, Public Water Authority, State of Arkansas's internal control over financial reporting (internal control) as a basis for designing the 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 West Stone County Water Association, Public Water Authority, State of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of West Stone County Water Association, Public Water Authority, State of Arkansas'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 preceding paragraph 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 consider the deficiency described in the accompanying schedule of findings and responses as items 2024-1 to be a significant deficiency.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of West Stone County Water Association, Public Water Authority, State of Arkansas, 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*.

West Stone County Water Association, Public Water Authority, State of Arkansas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the West Stone County Water Association, Public Water Authority, State of Arkansas's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. West Stone County Water Association, Public Water Authority, State of Arkansas's response was not subjected to the other auditing procedures applied in the engagement to audit 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.

Turner, Williams and Associates, P.A.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
September 26, 2024

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER ASSOCIATION OF THE STATE OF ARKANSAS
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

FINDING 2024-1:

Condition: Numerous adjusting entries were required during the 2024 audit in order to present the Association's financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria and Cause: The Association does not have a process in place to ensure accounting records are in accordance with GAAP.

Effect: This caused many accounts within the Association's financial statements to be misstated.

Recommendation: We recommend the Association establish a formal closing checklist (monthly and annually) to document entries, reversing entries, and reconciliations that should be performed. In addition, at the completion of the audit, all required entries should be posted to the accounting software to ensure the Association's final trial balance agrees to the audited trial balance.

Response: Management will establish and implement a closing checklist for the monthly and annual closing processes to ensure the books are closed properly.

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER ASSOCIATION OF THE STATE OF ARKANSAS
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

FINDING 2023-1:

Condition: Numerous adjusting entries were required during the 2023 audit in order to present the Association's financial statements in accordance with generally accepted accounting principles (GAAP).

Status: The Association is aware of the deficiency and management is working on implementing procedures for the closing process to ensure that the books are closed properly.