

BENTON COUNTY WATER AUTHORITY #4
Lowell, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023
and
INDEPENDENT AUDITOR'S REPORT

BENTON COUNTY WATER AUTHORITY #4
Lowell, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023

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**To the Board of Directors
Benton County Water Authority #4
Lowell, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the Benton County Water Authority #4 ("BCWA #4"), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, as listed on the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of BCWA #4 as of December 31, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years 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 BCWA #4, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

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 opinions. 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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**To the Board of Directors
Benton County Water Authority #4
Lowell, Arkansas**

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including 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 BCWA #4'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about BCWA #4'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 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 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.

Management has omitted the Management's 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 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. Our opinion on the basic financial statements is not affected by this missing information.

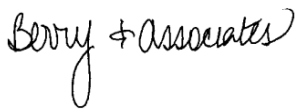
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCWA #4's basic financial statements. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**To the Board of Directors
Benton County Water Authority #4
Lowell, Arkansas**

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 BCWA #4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the BCWA #4's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
March 17, 2025

BENTON COUNTY WATER AUTHORITY #4
STATEMENTS OF NET POSITION
December 31, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 171,097	\$ 1,167,096
Accounts receivable	14,050	13,680
Total Current Assets	185,147	1,180,776
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	91,891	79,136
Capital assets:		
Capital assets, net of accumulated depreciation	2,059,820	324,948
TOTAL ASSETS	\$ 2,336,857	\$ 1,584,860
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 50,300	\$ 47,900
Accounts payable	4,055	1,888
Retainage payable	75,967	-
Accrued interest payable	331	526
Other current liabilities	1,027	1,015
Total Current Liabilities	131,680	51,329
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	13,175	13,475
NON-CURRENT LIABILITIES		
Long-term debt, net of current maturities	700,311	80,957
TOTAL LIABILITIES	845,166	145,761
NET POSITION		
Net investment in capital assets	196,092	196,092
Unrestricted	1,279,640	1,227,047
Temporarily restricted	15,960	15,960
Total Net Position	1,491,692	1,439,099
TOTAL LIABILITIES AND NET POSITION	\$ 2,336,857	\$ 1,584,860

The accompanying notes to basic financial statements are an integral part of these statements

BENTON COUNTY WATER AUTHORITY #4
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Water revenue	\$ 196,657	\$ 191,708
Other income	17,113	13,708
Total operating revenues	<u>213,770</u>	<u>205,416</u>
OPERATING EXPENSES		
Water purchased	43,801	39,870
Repairs and maintenance	20,734	11,297
Telephone and utilities	1,979	1,609
Dues and fees	4,890	4,905
Office expenses	736	667
Depreciation expense	17,993	17,939
Contract labor	97,356	68,383
Professional fees	9,135	5,295
Other expenses	7,662	6,817
Total operating expenses	<u>204,286</u>	<u>156,782</u>
OPERATING INCOME	<u>9,484</u>	<u>48,634</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	13,920	13,360
Interest expense	(5,539)	(7,811)
Impact fee income	35,000	-
Grant income	-	1,000,000
Bad debt expense	(271)	(704)
Net non-operating revenues	<u>43,109</u>	<u>1,004,845</u>
CHANGE IN NET POSITION	52,593	1,053,479
NET POSITION - BEGINNING OF YEAR	<u>1,439,099</u>	<u>385,620</u>
NET POSITION - END OF YEAR	\$ <u><u>1,491,692</u></u>	\$ <u><u>1,439,099</u></u>

The accompanying notes to basic financial statements are an integral part of these statements

BENTON COUNTY WATER AUTHORITY #4
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from members	\$ 213,400	\$ 207,305
Cash payments for supplies	<u>(108,421)</u>	<u>(137,919)</u>
Net cash provided by operating activities	<u>104,979</u>	<u>69,386</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(12,754)	(10,206)
Purchase of capital assets	(8,530)	-
Purchases on construction in progress	(1,744,333)	-
Increase in meter deposits payable	(300)	(700)
Proceeds from grant income	-	1,000,000
Proceeds from impact fee	35,000	-
Interest received	<u>13,920</u>	<u>13,360</u>
Net cash provided (used) by investing activities	<u>(1,716,997)</u>	<u>1,002,454</u>
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	669,631	-
Principal payments on long-term debt	(47,877)	(45,615)
Interest payments on long-term debt	<u>(5,735)</u>	<u>(7,997)</u>
Net cash provided (used) by financing activities	<u>616,019</u>	<u>(53,612)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(995,999)	1,018,228
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,167,096</u>	<u>148,868</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 171,097</u>	<u>\$ 1,167,096</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,484	\$ 48,634
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	17,993	17,939
Provision for bad debt expense	(271)	(704)
(Increase) Decrease in:		
Accounts receivable	(373)	1,889
Increase (Decrease) in:		
Accounts payable	78,135	1,669
Other current liabilities	<u>12</u>	<u>(41)</u>
Total Adjustments	<u>95,495</u>	<u>20,752</u>
Net cash provided by operating activities	<u>\$ 104,979</u>	<u>\$ 69,386</u>

The accompanying notes to basic financial statements are an integral part of these statement

BENTON COUNTY WATER AUTHORITY #4
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Rural Development Authority (RDA) of Benton County, Arkansas was created in accordance with Act 172 of the Acts of Arkansas of 1963, and pursuant to an order of the County Court of Washington County Arkansas in October 1991. The purpose is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area of Benton County that do not have access to adequate and proper supplies of water. Benton County Water Authority #4 ("BCWA #4") was organized as a product of the RDA in 1998. The purpose of Benton County Water Authority #4 is to act as an agent of the RDA, and has no rights other than those set forth by the RDA. It operates under the same rules and regulations as that of the parent organization.

Basis of Presentation and Accounting

The accounts of the BCWA #4 are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the BCWA #4's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the BCWA #4 is determined by its measurement focus. The transactions of the BCWA #4 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the BCWA #4 has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash and Cash Equivalents

The BCWA #4 considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The BCWA #4 defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. 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 nonoperating 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. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Office equipment	5-7 years
Tools and equipment	5-7 years
Water system	5-40 years

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

BENTON COUNTY WATER AUTHORITY #4
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the BCWA #4. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the BCWA #4's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Equity Classifications

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets- 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.

Temporarily 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.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Leases

The Fund calculates operating lease using the implicit interest rate, or their incremental borrowing rate if the lease rate is not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

Date of Management's Review

Events have been evaluated through March 17, 2025, the date of the financial statements were available to be issued, and management determined that no additional disclosures were required.

Income Taxes

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

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, BCWA #4 adopts an annual budget. The budget of the BCWA #4 is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been established. Management deems only immaterial amounts may prove to be uncollectible.

BENTON COUNTY WATER AUTHORITY #4
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
Arkansas Natural Resources Bond 97A14, due 1996-2026 (1)	\$ 80,980	\$ 128,857
Arkansas Natural Resources Bond 01379-DWSRF-L, due 2024-2046 (2)	<u>669,631</u>	<u>-</u>
Total Long Term	750,611	128,857
Less: Current Portion	<u>(50,300)</u>	<u>(47,900)</u>
Long Term Portion	<u>\$ 700,311</u>	<u>\$ 80,957</u>

1) The Arkansas Natural Resources Commission general obligation bond is a single issue in the principal amount of \$758,041, maturing in semi-annual installments of \$26,806 on the first days of June and December of the years 1996 through 2026 inclusive, and bearing interest at the rate of 4.9% per annum. The bond has restrictive covenants including the requirement to begin accumulating a depreciation reserve in monthly installments of \$60 until \$50,000 is accumulated.

2) The Arkansas Natural Resources Commission general obligation bond is a multiple issue bond in the amount of \$4,530,260 (interest 0.75%, fee 1.00%), for a term of 20 years. As of December 31, 2024, \$669,631 has been received. Monthly payments of \$22,385 are expected to begin April 1, 2026, including interest of 0.75% and a service fee of 1%.

The annual maturities of long-term debt payable at December 31, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Service Fees</u>	<u>Total</u>
2025	\$ 50,300	\$ 3,312	\$ -	\$ 53,612
2026	173,478	26,074	33,502	233,054
2027	193,400	32,243	42,991	268,634
2028	196,800	30,781	41,041	268,622
2029	<u>136,633</u>	<u>22,110</u>	<u>29,480</u>	<u>188,223</u>
	<u>\$ 750,611</u>	<u>\$ 114,520</u>	<u>\$ 147,014</u>	<u>\$ 1,012,145</u>

Long-term liability activity for the year ended December 31, 2024 and 2023 is as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>1/1/2024</u>	<u>Additions</u>	<u>12/31/2024</u>	<u>One Year</u>
Debt Service				
Bonds	\$ <u>128,857</u>	\$ <u>669,631</u>	\$ <u>(47,877)</u>	\$ <u>750,611</u>
				\$ <u>50,300</u>
	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>1/1/2023</u>	<u>Additions</u>	<u>12/31/2023</u>	<u>One Year</u>
Debt Service				
Bonds	\$ <u>174,472</u>	\$ <u>-</u>	\$ <u>(45,615)</u>	\$ <u>128,857</u>
				\$ <u>47,900</u>

BCWA #4 has pledged future water customer revenues, net of specified operating expenses, to repay \$750,611 in bonds. Proceeds from the bonds were used for the building of BCWA #4's water system. Principal and interest on the bonds are payable through 2029, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2024 were \$47,877 and \$5,735 respectively. Principal and interest paid in the year ended December 31, 2023 were \$45,615 and \$7,997, respectively.

BENTON COUNTY WATER AUTHORITY #4
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 3 – PUBLIC FUNDS DEPOSITS AND INVESTMENTS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the BCWA #4’s name.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the years ended December 31, 2024 and 2023 was as follows:

	Balance 1/1/2024	Additions	Deletions/ Transfers	Balance 12/31/2024
Land	\$ 9,577	\$ -	\$ -	\$ 9,577
Office Equipment	28,216	-	-	28,216
Tools and Equipment	6,462	-	-	6,462
Water System	702,075	8,530	-	710,605
Construction in Progress	-	1,744,333	-	1,744,333
Total	746,330	\$ 1,752,863	\$ -	2,499,193
Less: Accumulated Depreciation	(421,382)			(439,373)
Total Capital Assets	\$ 324,948			\$ 2,059,820

	Balance 1/1/2023	Additions	Deletions/ Transfers	Balance 12/31/2023
Land	\$ 9,577	\$ -	\$ -	\$ 9,577
Office Equipment	28,216	-	-	28,216
Tools and Equipment	6,462	-	-	6,462
Water System	702,075	-	-	702,075
Total	746,330	\$ -	\$ -	746,330
Less: Accumulated Depreciation	(403,442)			(421,382)
Total Capital Assets	\$ 342,888			\$ 324,948

NOTE 5 – RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for bond payments and a depreciation fund (see Note 2).

The following is a list of the restricted cash at December 31:

	2024	2023
Meter deposits	\$ 14,556	\$ 14,472
Debt service reserve	77,335	64,664
	\$ 91,891	\$ 79,136

BENTON COUNTY WATER AUTHORITY #4
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 6 – COMMITMENTS:

On March 28, 2023 the Authority was approved for financial assistance in the form of a loan in an amount up to \$4,530,260 from the Arkansas Department of Agriculture. The funds are to be used for water main improvements. As of December 31, 2024, \$669,631 has been received.

The Authority started a construction project for water main improvements during the year ended December 31, 2024. The Authority has entered into a contract with a construction company for the amount of \$1,691,328 and total costs of \$1,519,333 were incurred on this contract as of December 31, 2024.



Berry & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Arkansas Society of CPAs

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

**To the Board of Directors
Benton County Water Authority #4
Lowell, Arkansas**

We have audited, 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, the financial statements of the Benton County Water Authority #4 ("BCWA #4"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the BCWA #4's 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 BCWA #4'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 the BCWA #4's internal control. Accordingly, we do not express an opinion on the effectiveness of the BCWA #4'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 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 as item 2024-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCWA #4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters or other matters that are required to be reported under *Government Auditing Standards*.

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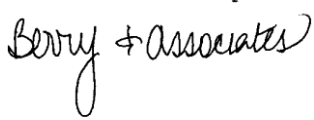
To the Board of Directors
Benton County Water Authority #4
Page 2

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the BCWA #4's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The BCWA #4's response was not subjected to the other auditing procedures applied in the audit of the financial statement 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 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.



Berry & Associates, P.A.
Little Rock, Arkansas
March 17, 2025

**BENTON COUNTY WATER AUTHORITY #4
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2024**

2024-01 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same entity who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. In addition, only limited oversight is provided over this entity in the conduct of their daily functions. The entity also has control over check writing and bank reconciliations. This finding was also noted in 2023.

Cause: The BCWA #4's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

Views of Responsible Officials: BCWA #4 has attempted to segregate duties, but due to the limited number of personnel, effective segregation of duties is not possible.

**BENTON COUNTY WATER AUTHORITY #4
SUPPLEMENTARY INFORMATION
December 31, 2024**

GOVERNMENT:

The Benton County Water Authority #4, Arkansas is governed by a board of directors. The records are maintained by management.

Names	Title
Chris Flynt	Chairman
Lisa Barnes	Secretary/Treasurer
Nick Jewett	Vice Chairman
Brent Leas	Board Member
Jeff Hunter	Board Member

WATER RATES:

As of December 31, 2024, water service was provided to 257 residential and commercial customers.

Residential Rates

First 1,500 gallons	\$ 41.639 (minimum charge)
Next 98,500 gallons	\$ 6.226 per 1,000 gallons
Next 400,000 gallons	\$ 5.836 per 1,000 gallons
Next 500,000 gallons	\$ 5.606 per 1,000 gallons
All over 1,000,000 gallons	\$ 5.466 per 1,000 gallons

Commercial Rates

First 1,500 gallons	\$ 41.639 (minimum charge)
Next 98,500 gallons	\$ 5.726 per 1,000 gallons
Next 400,000 gallons	\$ 5.336 per 1,000 gallons
Next 500,000 gallons	\$ 4.106 per 1,000 gallons
All over 1,000,000 gallons	\$ 4.956 per 1,000 gallons

Total gallons of water consumed during the year ended December 31, 2024 amounted to 15,675,390.

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are being properly maintained.

INSURANCE:

The insurance coverage for Benton County Water Authority #4 is included in policies issued to the insured: Benton County Rural Water Authority.

BENTON COUNTY WATER AUTHORITY #4
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Water revenue	\$ 194,800	\$ 194,800	\$ 196,657	\$ 1,857
Other income	12,126	12,126	17,113	4,987
Total operating revenues	<u>206,926</u>	<u>206,926</u>	<u>213,770</u>	<u>6,844</u>
OPERATING EXPENSES				
Water purchased	45,000	45,000	43,801	1,199
Repairs and maintenance	20,000	20,000	20,734	(734)
Telephone and utilities	1,778	1,778	1,979	(201)
Dues and fees	5,144	5,144	4,890	254
Office expenses	100	100	736	(636)
Depreciation expense		-	17,993	(17,993)
Contract labor	76,144	76,144	97,356	(21,212)
Professional fees	5,600	5,600	9,135	(3,535)
Other expenses	6,730	6,730	7,662	(932)
Total operating expenses	<u>160,496</u>	<u>160,496</u>	<u>204,286</u>	<u>(43,790)</u>
OPERATING INCOME (LOSS)	<u>46,430</u>	<u>46,430</u>	<u>9,484</u>	<u>(36,946)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest income	12,000	12,000	13,920	1,920
Interest expense	(5,740)	(5,740)	(5,539)	201
Impact fee income	-	-	35,000	35,000
Bad debt expense	(800)	(800)	(271)	529
Net non-operating revenues	<u>5,460</u>	<u>5,460</u>	<u>43,109</u>	<u>37,649</u>
CHANGE IN NET POSITION	<u>\$ 51,890</u>	<u>\$ 51,890</u>	<u>\$ 52,593</u>	<u>\$ 703</u>