

Conway County Regional Water Distribution District

**Financial Statements
and
Supplementary Information
December 31, 2024 and 2023**

(With Independent Auditor's Reports Thereon)

Conway County Regional Water Distribution District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Conway County Regional Water Distribution District
Morrilton, Arkansas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Conway County Regional Water Distribution District (the District) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2024, and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the District'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.

To the Board of Directors
Conway County Regional Water Distribution District

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 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 the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

To the Board of Directors
Conway County Regional Water Distribution District

Required Supplementary Information (Continued)

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The Schedules of Rates Charged, Gross Revenue Received and Insurance Coverage are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Rates Charged, Gross Revenue Received and Insurance Coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statement 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 Schedules of Rates Charged, Gross Revenue Received and Insurance Coverage are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2025, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Little Rock, Arkansas
June 3, 2025

Conway County Regional Water Distribution District

Management's Discussion and Analysis December 31, 2024 and 2023

This section of the Conway County Regional Water Distribution District's (the District) annual financial report presents an analysis of the District's financial performance during the years ended December 31, 2024 and 2023. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights for 2024

1. Issuance of two bonds:
 - Water Revenue Refunding Bonds, Taxable Series 2024A
 - Water Revenue Improvement Bonds, Tax-Exempt Series 2024B
2. Defeasance of Water Revenue Refunding Bonds, Series 2015
3. Purchase of four vehicles
4. Replaced high service pump
5. Painting of Hwy 287 Tank
6. Ongoing installation of 20 inch raw water line/filter
7. Hwy 113 water line relocation (funded)
8. Tank improvement engineering

Overview of the Financial Statements

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Supplemental Information. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

Required Financial Statements

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles that are generally accepted in the United States of America (US GAAP). The statements of net position include information on the District's assets, deferred outflows and liabilities and provide information about the nature and amounts of investments in resources (assets); consumption of net assets by the District that is applicable to a future period (deferred outflows); acquisition of net assets by the District that is applicable to a future reporting period (deferred inflows); and the obligations to District creditors (liabilities). The statements of revenues, expenses and changes in net position identify the District's revenues and expenses for the years ended December 31, 2024 and 2023. This statement provides information on the District's operations over the past two years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the statements of cash flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the statements of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for each of the last two years.

Financial Analysis of the District

The statements of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between assets plus deferred outflows of resources and liabilities reported as net position. The District has no deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of

Conway County Regional Water Distribution District

Management's Discussion and Analysis December 31, 2024 and 2023

Financial Analysis of the District (Continued)

whether the financial position of the District is improving or deteriorating. The statements of revenues, expenses and changes in net position presents information showing how the District's net position changed during the applicable fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows.

Net Position

A summary of the District's statements of net position is presented below:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>		<u>2022</u>	<u>Increase (Decrease)</u>	
Current and Other Assets	\$ 13,149,324	\$ 6,262,809	\$ 6,886,515	109.96%	\$ 6,160,591	\$ 102,218	1.66%
Capital Assets (Net)	22,639,040	17,801,205	4,837,835	27.18%	17,383,739	417,466	2.40%
Deferred Outflows	104,102	-	104,102	0.00%	-	-	0.00%
Total Assets and Deferred Outflows	<u>\$ 35,892,466</u>	<u>\$ 24,064,014</u>	<u>\$ 11,828,452</u>	49.15%	<u>\$ 23,544,330</u>	<u>\$ 519,684</u>	2.21%
Long-term Debt	12,178,175	1,213,084	10,965,091	903.90%	1,305,756	(92,672)	-7.10%
Other Liabilities	1,179,025	812,485	366,540	45.11%	799,075	13,410	1.68%
Total Liabilities	<u>\$ 13,357,200</u>	<u>\$ 2,025,569</u>	<u>\$ 11,331,631</u>	559.43%	<u>\$ 2,104,831</u>	<u>\$ (79,262)</u>	-3.77%
Net Investment in Capital Assets	\$ 16,622,280	\$ 16,495,449	\$ 126,831	0.77%	\$ 15,985,525	\$ 509,924	3.19%
Restricted	1,487,286	748,732	738,554	98.64%	730,500	18,232	2.50%
Unrestricted	4,425,700	4,794,264	(368,564)	-7.69%	4,723,474	70,790	1.50%
Total Net Position	<u>\$ 22,535,266</u>	<u>\$ 22,038,445</u>	<u>\$ 496,821</u>	2.25%	<u>\$ 21,439,499</u>	<u>\$ 598,946</u>	2.79%

As the above table indicates, total assets and deferred outflows increased during the year ended December 31, 2024. The primary reason for the change was the increase in capital assets, net and restricted cash. During 2024, the District invested more than \$5,600,000 in its infrastructure and had an increase in cash and cash equivalents of more than \$6,800,000 which was primarily related to issuance of the 2024B series bonds.

Total assets increased during 2023. The primary reason for the increase was due to the annual profitability of the District. As of December 31, 2024, total liabilities increased significantly, primarily due to the issuance of two bonds totaling approximately \$12 million.

Conway County Regional Water Distribution District

Management's Discussion and Analysis December 31, 2024 and 2023

Net Position *(Continued)*

Restricted net position increased due to the Board's designation of \$1,000,000 for future lake expansion studies. Correspondingly, this designation was the primary reason that unrestricted net position decreased during the year.

Total liabilities reflect a small decrease at December 31, 2023. The decrease is primarily related to normal long-term debt repayment. An increase in net investment in capital assets represents the infrastructure of the District less the corresponding liabilities that are secured by that infrastructure. The increase is a result of current year capital asset additions, less disposals and annual debt repayments less current year depreciation. Finally, the increase in unrestricted position was primarily the result of annual profitability of the District.

Statements of Revenues, Expenses and Changes in Net Position

A summary of the statements of revenues, expenses and changes in net position is presented below:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>		<u>2022</u>	<u>Increase (Decrease)</u>	
Operating Revenues	\$ 5,650,049	\$ 5,388,937	\$ 261,112	4.85%	\$ 4,567,527	\$ 821,410	17.98%
Nonoperating Revenues	472,433	94,812	377,621	398.28%	48,500	46,312	95.49%
Total Revenues	<u>6,122,482</u>	<u>5,483,749</u>	<u>638,733</u>	11.65%	<u>4,616,027</u>	<u>867,722</u>	18.80%
Operating Expenses							
Production	1,084,308	973,473	110,835	11.39%	891,365	82,108	9.21%
Transmission and Distribution	1,044,674	1,100,318	(55,644)	-5.06%	1,050,399	49,919	4.75%
Customer Account General and Administrative	470,985	480,645	(9,660)	-2.01%	445,605	35,040	7.86%
Depreciation Expense	1,714,225	1,516,690	197,535	13.02%	1,373,591	143,099	10.42%
Total Operating Expenses	<u>796,239</u>	<u>771,588</u>	<u>24,651</u>	3.19%	<u>719,027</u>	<u>52,561</u>	7.31%
Total Operating Expenses	<u>5,110,431</u>	<u>4,842,714</u>	<u>267,717</u>	5.53%	<u>4,479,987</u>	<u>362,727</u>	8.10%
Nonoperating Expenses	555,960	42,089	513,871	1220.92%	45,711	(3,622)	-7.92%
Total Expenses	<u>5,666,391</u>	<u>4,884,803</u>	<u>781,588</u>	16.00%	<u>4,525,698</u>	<u>359,105</u>	7.93%
Income	456,091	598,946	(142,855)	-23.85%	90,329	508,617	563.07%
Capital Contributions	40,730	-	40,730	0.00%	-	-	0.00%
Changes in Net Position	496,821	598,946	(102,125)	-17.05%	90,329	508,617	563.07%
Beginning Net Position	<u>22,038,445</u>	<u>21,439,499</u>	<u>598,946</u>	2.79%	<u>21,349,170</u>	<u>90,329</u>	0.42%
Ending Net Position	<u>\$ 22,535,266</u>	<u>\$ 22,038,445</u>	<u>\$ 496,821</u>	2.25%	<u>\$ 21,439,499</u>	<u>\$ 598,946</u>	2.79%

Conway County Regional Water Distribution District

Management's Discussion and Analysis December 31, 2024 and 2023

Statements of Revenues, Expenses and Changes in Net Position *(Continued)*

The statements above indicate that the District's total revenues increased for the year ended December 31, 2024. The increase was primarily related to a whole year of increased rates from 2023. Operating expenses increased in the current year due to an increase in General and Administrative expenses. Further, the table indicates that the District's total revenues increased for the year ended December 31, 2023. The increase was primarily related to a rate increase in July 2022, and May 2023, to compensate for the increase in the cost of production. Total operating expenses increased as a direct result of water production material cost and employee compensation increases.

Capital Assets

As of December 31, 2024, the District's capital assets (net) increased as a result of current year additions in excess of normal depreciation.

The capital projects completed during 2024 were replacing the high service pump, the painting of Hwy 287 tank and the Hwy 113 waterline relocation.

In addition, during 2024, the District purchased four vehicles; continued installation of 20 inch raw water line and filter and began tank improvement engineering.

During 2023, the District completed the following projects: the lake pump upgrade and the backwash pump upgrade. Also, the District purchased three vehicles; upgraded the billing software; continued progress on high service pump 3; and incurred initial expenditures for a new 24 inch raw water line.

Long-Term Debt

As of December 31, 2024, the District's long-term debt increased compared to 2023. The District issued two new bonds during 2024, the 2024 Series A taxable bonds and the 2024 Series B tax-exempt bonds. The 2024 Series A bond totals \$775,000 and will mature in 2028. The 2024 Series B bond totals \$11,250,000 and will mature in 2054.

During 2023, the District had a decrease of \$92,458 in outstanding debt. The decrease is a direct result of debt repayment of the 2015 Series Bonds which will mature in 2034 and the Mid-Arkansas Water Alliance (MAWA) loan which matures in 2049.

The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each year, which are at least sufficient to yield in each year net revenues equal to 125 percent of the debt service for such year, plus any amount necessary to restore the bond reserve requirement.

Economic Factors and Next Year's Budgets and Rates

The District's rates are reviewed by management and the Board of Directors on an annual basis.

Conway County Regional Water Distribution District

Management's Discussion and Analysis December 31, 2024 and 2023

Additional Financial Information

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Conway County Regional Water Distribution District at P.O. Box 296, Morrilton, AR 72110.

Financial Statements

Conway County Regional Water Distribution District

Statements of Net Position December 31, 2024 and 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 4,436,068	\$ 4,543,534
Accounts receivable	472,176	596,637
Inventory	149,902	123,753
Prepaid expense	47,100	47,100
Unbilled revenue	255,673	190,076
Accrued interest receivable	6,100	6,100
Total Unrestricted Current Assets	5,367,019	5,507,200
Restricted Assets		
Cash and cash equivalents	1,421,217	734,487
Escrow deposit	11,780	21,122
Total Restricted Assets	1,432,997	755,609
Total Current Assets	6,800,016	6,262,809
Restricted Assets, Long-Term		
Cash and cash equivalents	6,349,308	-
Total Restricted Assets, Long-Term	6,349,308	-
Capital Assets, Net	22,639,040	17,801,205
Total Assets	35,788,364	24,064,014
Deferred Outflows of Resources		
Bond Insurance Premium	104,102	-
Total Deferred Outflows of Resources	104,102	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 35,892,466	\$ 24,064,014

See accompanying notes to financial statements.

Conway County Regional Water Distribution District

Statements of Net Position *(Continued)* December 31, 2024 and 2023

	2024	2023
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable - trade	\$ 464,337	\$ 119,317
Accounts payable - sewer department	-	75,257
Accounts payable - sanitation	-	50,102
Customer meter deposits	290,485	281,060
Other current liabilities	186,497	187,200
Total Current Liabilities	941,319	712,936
Liabilities Payable from Restricted Assets		
Interest payable	49,813	6,877
Current maturities of long-term debt	187,893	92,672
Total Liabilities Payable from Restricted Assets	237,706	99,549
Long-Term Liabilities		
Long-term debt - less current maturities	12,178,175	1,213,084
Total Long-Term Liabilities	12,178,175	1,213,084
Total Liabilities	13,357,200	2,025,569
Net Position		
Net investment in capital assets	16,622,280	16,495,449
Restricted		
Bond reserve funds	487,286	748,732
Construction and expansion	1,000,000	-
Unrestricted	4,425,700	4,794,264
Total Net Position	22,535,266	22,038,445
TOTAL LIABILITIES AND NET POSITION	\$ 35,892,466	\$ 24,064,014

See accompanying notes to financial statements.

Conway County Regional Water Distribution District

Statements of Revenues, Expenses and Changes in Net Position December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Water sales	\$ 5,329,354	\$ 4,966,830
Customer late charge income	98,341	132,959
Miscellaneous income	222,354	289,148
Total Operating Revenues	5,650,049	5,388,937
Operating Expenses		
Production	1,084,308	973,473
Transmission and distribution	1,044,674	1,100,318
Customer account	470,985	480,645
General and administrative	1,714,225	1,516,690
Depreciation	796,239	771,588
Total Operating Expenses	5,110,431	4,842,714
Operating Income	539,618	546,223
Other Revenues (Expenses)		
Gain on disposal of capital assets	34,161	-
Interest income	438,272	94,812
Interest expense	(337,494)	(42,089)
Bond issuance cost	(218,466)	-
Total Other Revenues (Expenses)	(83,527)	52,723
Income Before Contributions in Aid of Construction	456,091	598,946
CONTRIBUTIONS IN AID OF CONSTRUCTION	40,730	-
Increase in Net Position	496,821	598,946
NET POSITION - BEGINNING OF YEAR	22,038,445	21,439,499
NET POSITION - END OF YEAR	\$22,535,266	\$22,038,445

See accompanying notes to financial statements.

Conway County Regional Water Distribution District

Statements of Cash Flows December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 5,592,979	\$ 5,349,109
Cash payments to suppliers for goods and services	(2,635,925)	(2,438,313)
Cash payments to employees for services	(1,719,180)	(1,630,946)
	1,237,874	1,279,850
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of long-term debt	(1,023,494)	(92,458)
Proceeds from long-term debt	12,085,256	-
Bond issuance cost	(218,466)	-
Bond insurance premiums	(107,397)	-
Interest paid on long-term debt	(293,109)	(43,073)
Decrease (increase) in escrow deposit	9,342	(17,114)
Contributions in aid of construction	40,730	-
Purchase of capital assets	(5,279,268)	(1,189,057)
Proceeds from sale of capital assets	38,832	-
	5,252,426	(1,341,702)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	438,272	90,596
	438,272	90,596
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,928,572	28,744
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,278,021	5,249,277
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,206,593	\$ 5,278,021
Cash and cash equivalents	\$ 4,436,068	\$ 4,543,534
Restricted cash and cash equivalents, current	1,421,217	734,487
Restricted cash and cash equivalents, long-term	6,349,308	-
	\$ 12,206,593	\$ 5,278,021

(Continued)

See accompanying notes to financial statements.

Conway County Regional Water Distribution District

Statements of Cash Flows *(Continued)* December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 539,618	\$ 546,223
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	796,239	771,588
Changes in assets and liabilities		
Accounts receivable	124,461	(52,504)
Inventory	(26,149)	558
Prepaid expenses	-	(5,089)
Unbilled revenue	(65,597)	4,891
Accounts payable	(139,420)	(12,592)
Meter deposits	9,425	10,520
Other current liabilities	(703)	16,255
	\$ 1,237,874	\$ 1,279,850
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash investing and financing activities:		
Capital assets purchased by increase in accounts payable	\$ 359,081	\$ -

See accompanying notes to financial statements.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 1: NATURE OF ORGANIZATION

The District is organized as a public governmental organization. The District was established on July 5, 1977, and incorporated in Plumerville, Arkansas. The principal function of the District includes the operation and maintenance of a public community water system.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District is operated as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Basis of Presentation

The presentation of the District's financial statements follows the requirements of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB Statement No. 34) – applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the District's net position is categorized into net investment in capital assets, restricted bond reserve funds and unrestricted, as applicable. In addition, operating revenues and expenses derived from or related directly to providing community water services are distinguished from nonoperating revenues and expenses for purposes of presentation on the District's statements of revenues, expenses and changes in net position. Operating revenues consist primarily of user charges, and operating expenses include the costs of maintaining and operating the water system.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be all cash on hand, demand deposits, certificates of deposit and all short-term investments with original maturities of three months or less from the date of acquisition. The District treats all restricted cash and investments meeting these criteria as restricted cash and cash equivalents. For the years ended December 31, 2024 and 2023, the District had \$3,335,000 and 2,835,000, respectively, in certificates of deposit that were included in cash and restricted cash.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consists of credit extended to the District's customers in the normal course of business. The District considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collection on accounts previously written off are included in income when received. Bad debt expense was \$12,688 and \$6,131 for the years ended 2024 and 2023, respectively.

Inventory

Materials and supplies used in the operation and maintenance of water system and are stated at average cost.

Capital Assets

Capital assets are recorded at historical cost, including all direct salaries, materials and supplies related to construction and improvements completed by District personnel.

Costs related to major additions and betterments of utility plant in service are capitalized, while costs of repairs and maintenance that do not add value or extend the useful life of the related asset are expensed as incurred. Assets contributed are recorded at fair value at the date contributed.

Depreciation is provided using the straight-line method over the following estimated useful lives:

Supply, Treatment, and Distribution Facilities	20 – 75 Years
Equipment	4 – 25 Years

Management evaluates events or changes in circumstances affecting assets comprising utility plant in service to determine whether impairment of capital assets has occurred. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the years ended December 31, 2024 or 2023.

Deferred Outflows of Resources

Deferred outflows of resources are financial statement elements distinct from assets and represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The District's deferred outflows are a result of prepaid bond insurance premiums, which are amortized over the life of the bonds. The insurance was purchased in lieu of a cash-funded debt service reserve, as allowed by the bond covenants, enabling the District to meet the reserve requirements.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions in Aid of Construction

Contributions in Aid of Construction represent assets contributed to the District by external parties, including developers, customers, or other governmental entities, typically in the form of cash or physical infrastructure. These contributions are made to support the construction or expansion of capital assets for the water system.

Long-Term Debt

Long-term debt is reported net of any applicable premiums or discounts. Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Management has determined that the results of the straight-line method do not differ materially from those that would have been obtained using the effective interest method. Accordingly, the straight-line method is considered appropriate for financial reporting purposes.

Operating Revenues and Expenses

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

Revenue Recognition

Revenues for water system are recognized in the period during which the related services are provided. Accounts receivable and revenues reported on the District's financial statements include an estimate of charges for services provided but unbilled at year end.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

The useful lives of capital assets are significant estimates used to determine the amount of depreciation expense and the net book value of utility plant in service reported in the District's financial statements.

Tax Status

The District is exempt from income taxes under Section 115 of the Internal Revenue Code.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 3: RESTRICTED ASSETS

The District has issued Revenue Refunding Bonds in 2015 (Series 2015) and issued Series 2024A Revenue Refunding Bonds and Series 2024B Revenue Improvement Bonds in 2024 (Series 2024 bonds), each of which established requirements for maintaining various restricted funds in accordance with their respective bond indentures.

Restricted cash balances at December 31 are as follows:

	2024	2023
Series 2015 bonds:		
Debt Service	\$ 288	\$ 204,158
Depreciation Fund	-	500,000
Bond Fund	88	30,329
Series 2024 bonds:		
Construction Fund	6,349,308	-
Depreciation Fund	300,000	-
Bond Fund	120,841	-
Restricted by Board:		
New Lake Study	1,000,000	-
Total Restricted Cash	\$ 7,770,525	\$ 734,487

Under the terms of a water storage agreement, deposits are funded for the future repayment of the indebtedness associated therewith. The balance of the escrow deposits at December 31, 2024 and 2023 was \$11,780 and \$21,122 respectively.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 4: CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Balance 12/31/2023</u>	<u>Transfer in and Additions</u>	<u>Transfer out and Disposals</u>	<u>Balance 12/31/2024</u>
Non depreciable capital assets				
Land and water rights	\$ 792,014	\$ -	\$ -	\$ 792,014
Work in progress	450,200	5,207,766	-	5,657,966
Total capital assets not being depreciated	<u>1,242,214</u>	<u>5,207,766</u>	<u>-</u>	<u>6,449,980</u>
Capital Assets being depreciated				
Supply, treatment, and distribution facilities	33,281,429	416,587	-	33,698,016
Equipment	1,811,574	315,640	(135,628)	1,991,586
Total depreciable capital assets	<u>35,093,003</u>	<u>732,227</u>	<u>(135,628)</u>	<u>35,689,602</u>
Less accumulated depreciation				
Supply, treatment, and distribution facilities	(17,200,771)	(682,993)	-	(17,883,764)
Equipment	(1,333,241)	(113,246)	130,957	(1,315,530)
Total accumulated depreciation	<u>(18,534,012)</u>	<u>(796,239)</u>	<u>130,957</u>	<u>(19,199,294)</u>
Total capital assets being depreciated - net	<u>16,558,991</u>	<u>(64,012)</u>	<u>(4,671)</u>	<u>16,490,308</u>
Total Capital Assets, net	<u>\$ 17,801,205</u>	<u>\$ 5,143,754</u>	<u>\$ (4,671)</u>	<u>\$ 22,940,288</u>

(Continued)

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance 12/31/2022</u>	<u>Transfer in and Additions</u>	<u>Transfer out and Disposals</u>	<u>Balance 12/31/2023</u>
Non depreciable capital assets				
Land and water rights	\$ 792,014	\$ -	\$ -	\$ 792,014
Work in progress	70,532	450,200	(70,532)	450,200
Total capital assets not being depreciated	<u>862,546</u>	<u>450,200</u>	<u>(70,532)</u>	<u>1,242,214</u>
Capital assets being depreciated				
Supply, treatment, and distribution facilities	32,622,953	658,476	-	33,281,429
Equipment	1,660,664	150,910	-	1,811,574
Total depreciable capital assets	<u>34,283,617</u>	<u>809,386</u>	<u>-</u>	<u>35,093,003</u>
Less accumulated depreciation				
Supply, treatment, and distribution facilities	(16,544,218)	(656,553)	-	(17,200,771)
Equipment	(1,218,206)	(115,035)	-	(1,333,241)
Total accumulated depreciation	<u>(17,762,424)</u>	<u>(771,588)</u>	<u>-</u>	<u>(18,534,012)</u>
Total capital assets being depreciated, net	<u>16,521,193</u>	<u>37,798</u>	<u>-</u>	<u>16,558,991</u>
Total Capital Assets - net	<u>\$ 17,383,739</u>	<u>\$ 487,998</u>	<u>\$ (70,532)</u>	<u>\$ 17,801,205</u>

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 5: LONG-TERM DEBT

Bonds and notes payable are secured by utility plant facilities, inventories, assets and revenues.

	<u>Rates</u>	<u>2024</u>	<u>2023</u>
\$2,585,000 Conway County Regional Water Distribution District, Water Revenue Refunding Bonds, Series 2015; principal and interest payable semi-annually, fully redeemed on April 11, 2024	2.50% - 3.50%	\$ -	\$ 1,015,000
\$775,000 Conway County Regional Water Distribution District, Water Revenue Refunding Bonds, Series 2024A; principal payable annually, interest payable semi-annually through maturity in May 2028	4.00% - 5.00%	775,000	-
\$11,250,000 Conway County Regional Water Distribution District, Water Revenue Improvement Bonds, Series 2024B; principal payable annually beginning May 1, 2028, interest payable semi-annually through maturing May 2054	4.00% - 5.00%	11,250,000	-
Note payable to MAWA, due \$16,031 annually including interest through 2049, secured by certain real property	2.85%	282,262	290,756
		<u>12,307,262</u>	<u>1,305,756</u>
Unamortized premium		58,806	-
Total long-term debt		<u>12,366,068</u>	<u>1,305,756</u>
Less current maturities		<u>187,893</u>	<u>92,672</u>
Long-term debt, less current maturities		<u>\$ 12,178,175</u>	<u>\$ 1,213,084</u>

	<u>2024</u>	<u>2023</u>
Changes in bonds and notes payable consisted of the following:		
Total long-term debt beginning of year	\$ 1,305,756	\$ 1,398,214
Issue of long-term debt	12,025,000	-
Repayment of long-term debt	(1,023,494)	(92,458)
Total long-term debt end of year	<u>\$ 12,307,262</u>	<u>\$ 1,305,756</u>

Aggregate maturities of long-term debt are as follows:

<u>For the years ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 187,893	\$ 513,907	\$ 701,800
2026	223,120	503,806	726,926
2027	233,353	492,572	725,925
2028	243,593	482,832	726,425
2029	258,840	474,710	733,550
2030-2034	1,458,163	2,198,888	3,657,051
2035-2039	1,770,496	1,885,955	3,656,451
2040-2044	2,148,946	1,506,105	3,655,051
2045-2049	2,627,858	1,031,320	3,659,178
2050-2054	3,155,000	425,469	3,580,469
	<u>\$ 12,307,262</u>	<u>\$ 9,515,564</u>	<u>\$ 21,822,826</u>

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 5: LONG-TERM DEBT (Continued)

On April 11, 2024, the District issued \$775,000 of Water Revenue Refunding Bonds, Taxable Series 2024A (the 2024 Series A) and \$11,250,000 Water Revenue Improvement Bonds, Tax-Exempt Series 2024B (the 2024 Series B). The 2024 Series A Bonds are being issued to provide funds to be used to (i) advance refund the outstanding balance of the \$2,585,000 Water Revenue Refunding Bonds, Series 2015 (the 2015 Series Bonds), and (ii) fund a debt service reserve fund and to fund certain costs associated with the issuance of the Bonds, including but not limited to a bond insurance policy and a debt service reserve surety bond insurance policy. The net proceeds of the Series 2024A Bonds will be deposited in the Redemption Fund created pursuant to the Indenture and used, with other available funds, to pay the redemption price of the Series 2015 Bonds called for redemption on June 1, 2025. As a result, the remaining principal balance of the 2015 Series Bonds is considered defeased, and the District has removed the liability from its accounts. The reacquisition price approximated the net carrying amount of the old debt. This refunding transaction was undertaken to reduce the District's total debt service payments by approximately \$345,022 over 10 years and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$130,000. The 2024 Series B Bonds are being issued to provide funds to be used to (i) finance the cost of certain extensions, betterments and improvements to the District's water distribution system consisting of four miles of new 24 inch raw water line installed south of Brewer Lake spanning to the District's water treatment plant, installation of a new filter, and acquisition of additional water storage tanks and other improvements to the water treatment and distribution facilities of the District, and (ii) fund a debt service reserve fund, and to fund certain costs associated with the issuance of the Bonds, including but not limited to a bond insurance policy and a debt service reserve surety bond insurance policy.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the District to concentrations of credit risk consists principally of cash and cash equivalents, which are held at financial institutions in Arkansas, and accounts receivable. The aggregate balances of the cash and cash equivalent accounts at any one financial institution are insured up to Federal Deposit Insurance Corporation (FDIC) limits, and the excess of the balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institutions and held in the name of the District. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the District and may not be released without the consent of the District. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers with relatively small account balances and required customer meter deposits.

Conway County Regional Water Distribution District

Notes to Financial Statements December 31, 2024 and 2023

NOTE 7: RETIREMENT PLAN

The District has a defined contribution money purchase trusteed pension plan. Employees are eligible for participation following six months of service. The plan is administered by the District. Benefit terms, including terms related to vesting, forfeitures, and the use of forfeited amounts, are established and may be amended by the District. The District also has the authority to establish and amend requirements to pay pensions as the benefits come due.

Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended December 31, 2024 and 2023, employee contributions totaled \$16,245 and \$15,930, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in District contributions and earnings under an incremental vesting schedule and are fully vested after six years. The District contributes 10% of each participant's annual compensation to the plan. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the District's pension expenses.

Pension expense was \$161,404 for the years ended December 31, 2024 and 2023. The foregoing amounts reflected forfeitures totaling \$2,810 for the year ended December 31, 2024.

NOTE 8: RISK MANAGEMENT

The District is exposed to various levels of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased insurance to address these risks. There have been no significant reductions in the District's coverage during the years ended December 31, 2024 and 2023. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

NOTE 9: RISKS AND UNCERTAINTIES

The District's financial performance is subject to various risks and uncertainties. These risks include, but are not limited to, economic conditions, market fluctuations, regulatory changes, and geopolitical events. In particular, recent developments such as the potential imposition of tariffs and certain ongoing geopolitical events, have introduced additional uncertainties that could impact the District's operations and financial results.

Supplementary Information

Conway County Regional Water Distribution District

Supplementary Information December 31, 2024 and 2023

Ada Valley St.
Elizabeth Petit
Jean
Wolverton
Ragsdale

Schedule of Rates Charged	Inside City Limits	Outside City Limits	Highway 95 North	
Customer charge	\$ 13.50	\$ 15.00	\$ 20.00	\$ 21.50
First 100,000 gallons	3.00	3.00	3.00	3.00
Over 200,000 gallons	2.50	2.50	2.50	2.50

(all rates amounts are cost per 1,000 gallons)

Wholesale water rates range from \$2.00 to \$2.75 per 1,000 gallons

Monthly Minimums
3/4 inch meter \$13.50 to \$21.50 depending on location
1 inch meter \$26.00
2 inch meter \$46.00
3 inch meter \$108.50
4 inch meter \$180.50

Gross Revenue Received	2024	2023
Gross revenues	\$ 6,129,051	\$ 5,483,749
Number of connections	8,882	8,779

Names and Titles of Directors

Charles Hamling - Chairman
Miles Lacy - Vice-Chairman
Don DePriest - Secretary / Treasurer
Mike Davidson - Commissioner
Dr. Thomas Flowers - Commissioner

Conway County Regional Water Distribution District

Supplementary Information (Continued)

December 31, 2024 and 2023

Insurance Coverage

Commercial Package

- a. Blanket total building and business personal property - \$12,085,066
- b. General liability: \$3,000,000 general aggregate, \$1,000,000 personal and advertising injury, \$100,000 damage to premises rented by the District, \$10,000 medical expense
- c. Auto Liability
 - \$1,000,000 liability
 - \$1,000,000 uninsured motorists
 - \$1,000,000 underinsured motorists
 - \$5,000 medical payments
- d. Employee theft - \$330,000
- e. Forgery or alteration - \$175,000
- f. Inside the premise - theft of money and securities - \$175,000
- g. Outside the premises - \$195,000
- h. Computer and funds transfer fraud - \$200,000
- i. Directors, officers, trustees, and organization liability coverage - \$1,000,000
- j. Commercial umbrella
 - \$3,000,000 each occurrence
 - \$3,000,000 personal advertising and injury
 - \$3,000,000 aggregate limit

Insurer: The Cincinnati Casualty Company

Expiration date: March 1, 2025

Workmen's Compensation - Statutory

Bodily injury by accident - \$500,000 each accident

Bodily injury by disease - \$500,000 each employee

Bodily injury by disease - \$500,000 policy limit

Insurer: Retailers Casualty Insurance Company

Expiration date: March 1, 2025

Conway County Regional Water Distribution District

Schedule of Findings and Questioned Costs December 31, 2024 and 2023

Section I - Summary of Auditor's Results

- **Type of Auditor's Report Issued - Financial Statements**
Unmodified opinion

- **Internal Control - Financial Statements**
Not Applicable

- **Material Noncompliance - Financial Statements**
None

- **Internal Control - Major Programs**
Not Applicable

- **Type of Report Issued - Compliance**
Unmodified opinion

- **Audit Findings Under the Uniform Guidance**
Not Applicable



**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
Conway County Regional Water Distribution District
Morrilton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Directors
Conway County Regional Water Distribution District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
June 3, 2025