

WASHINGTON WATER AUTHORITY
Farmington, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023
and
INDEPENDENT AUDITOR'S REPORT

WASHINGTON WATER AUTHORITY
Farmington, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023

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**To the Board of Directors of
Washington Water Authority
Farmington, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Qualified Opinions

We have audited the accompanying financial statements of the Washington Water Authority, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Washington Water Authority's basic financial statements as listed on the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Washington Water Authority as of December 31, 2024 and 2023, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Washington Water Authority, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Matter Giving Rise to the Qualified Opinion

Management has not changed its method of accounting for pensions during the year ended December 31, 2024, by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the Washington Water Authority has not been determined.

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 Washington Water Authority'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.

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**To the Board of Directors of
Washington Water Authority
Farmington, Arkansas**

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.

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 Washington Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Water Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 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.

**To the Board of Directors of
Washington Water Authority
Farmington, Arkansas**

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 the Washington Water Authority's basic financial statements. The Supplementary Information Required by the USDA Rural Development is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information Required by the USDA Rural Development 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. 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 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 Required by the USDA Rural Development is 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 May 20, 2025 on our consideration of the Washington Water 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 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 Washington Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington Water Authority's internal control over financial reporting and compliance.

Berry & Associates

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
May 20, 2025

**WASHINGTON WATER AUTHORITY
STATEMENTS OF NET POSITION
December 31, 2024 and 2023**

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,048,022	\$ 2,374,568
Accounts receivable	590,299	600,341
Other receivables	-	348,933
Supplies inventory	673,878	362,253
Prepaid expenses	12,142	14,343
Total current assets	<u>2,324,341</u>	<u>3,700,438</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Cash	3,171,551	1,952,472
Total restricted assets	<u>3,171,551</u>	<u>1,952,472</u>
CAPITAL ASSETS		
Capital assets, net of depreciation	31,996,219	31,778,623
Net capital assets	<u>31,996,219</u>	<u>31,778,623</u>
OTHER ASSETS		
Utility deposits	335	335
Total other assets	<u>335</u>	<u>335</u>
TOTAL ASSETS	<u>\$ 37,492,446</u>	<u>\$ 37,431,868</u>

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

WASHINGTON WATER AUTHORITY
STATEMENTS OF NET POSITION (Continued)
December 31, 2024 and 2023

LIABILITIES AND NET POSITION

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES		
Accounts payable	\$ 324,765	\$ 279,861
Payroll liabilities payable	2,740	11,065
Accrued expenses	51,994	36,235
Total current liabilities	<u>379,498</u>	<u>327,161</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued interest payable	97,302	105,055
Current portion of long-term debt	926,500	900,100
Meter deposits	651,911	642,755
Sewer payable	163,889	158,183
Total current liabilities payable from restricted assets	<u>1,839,601</u>	<u>1,806,093</u>
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	<u>9,335,942</u>	<u>10,262,471</u>
TOTAL LIABILITIES	<u>11,555,041</u>	<u>12,395,725</u>
NET POSITION		
Net investment in capital assets	20,278,039	20,616,052
Restricted	987,924	928,694
Unrestricted	<u>4,671,442</u>	<u>3,491,397</u>
Total net position	<u>25,937,405</u>	<u>25,036,143</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 37,492,446</u>	<u>\$ 37,431,868</u>

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

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

	2024	2023
OPERATING REVENUES		
Water sales	\$ 7,341,246	\$ 6,713,616
Connections and other fees	517,277	505,087
Total operating revenues	7,858,523	7,218,703
OPERATING EXPENSES		
Cost of water	2,960,177	2,792,033
Contract labor	268,858	288,021
Insurance	82,088	88,245
Materials and supplies	373,708	227,353
Mileage and truck expenses	97,298	88,206
Miscellaneous	12,856	27,477
Office supplies and postage	108,073	167,722
Payroll taxes	74,549	68,934
Professional services	294,397	180,211
Employee benefits	232,167	169,272
Pension expense	147,104	125,798
Depreciation	1,484,842	1,439,441
Maintenance and repairs	356,767	340,576
Salaries	1,001,097	777,003
Training	9,593	-
Uniforms	20,211	9,420
Utilities and telephone	225,250	204,255
Total operating expenses	7,749,033	6,993,967
OPERATING INCOME	109,490	224,736
NONOPERATING REVENUE (EXPENSES)		
Other income	1,043,186	761,439
Interest income	99,392	89,337
Interest expense	(338,573)	(359,914)
Bad debt recovery (expense)	(16,009)	522
Gain on disposal of capital assets	3,777	156,600
Net nonoperating income	791,772	647,984
CHANGE IN NET POSITION	\$ 901,262	\$ 872,720

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

**WASHINGTON WATER AUTHORITY
STATEMENTS OF NET POSITION
For the Year Ended December 31, 2024**

	<u>2024</u>	<u>2023</u>
NET POSITION AT BEGINNING OF YEAR	\$ 25,036,143	\$ 24,163,423
Change in net position for the year	<u>901,262</u>	<u>872,720</u>
NET POSITION AT END OF YEAR	<u>\$ 25,937,405</u>	<u>\$ 25,036,143</u>

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

WASHINGTON WATER AUTHORITY
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 customers	\$ 7,868,565	\$ 7,121,712
Cash payments to supplies	(5,184,541)	(5,263,337)
Cash payments to employees	(1,001,097)	(777,003)
Net cash provided by operating activities	<u>1,682,927</u>	<u>1,081,372</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,454,899)	(73,800)
Proceeds from disposal of capital assets	3,777	161,900
Payments on construction work in progress	(247,541)	(683,656)
Principal payments on long-term debt	(900,195)	(873,565)
Non-operating revenue received	1,043,186	761,439
Interest payments on long-term debt	(343,270)	(367,885)
Net cash used by capital and related financing activities	<u>(1,898,942)</u>	<u>(1,075,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in meter deposits payable	9,156	46,340
Interest received	99,392	89,337
Net cash provided by investing activities	<u>108,548</u>	<u>135,677</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,467)	141,485
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,327,040</u>	<u>4,185,555</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,219,573</u>	<u>\$ 4,327,040</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 109,490	\$ 224,736
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,484,842	1,439,441
(Increase) Decrease in:		
Accounts receivable	(8,960)	(96,469)
Inventory	(311,625)	(34,476)
Prepaid expenses	2,201	2,777
Other receivables	348,933	(348,933)
Increase (Decrease) in:		
Accounts payable	44,906	(117,631)
Sewer payable	5,706	55,105
Payroll liabilities	(8,325)	8,604
Accrued expenses payable	15,759	(51,782)
	<u>1,573,437</u>	<u>856,636</u>
Net cash provided by operating activities	<u>\$ 1,682,927</u>	<u>\$ 1,081,372</u>

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

WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Rural Development Authority (RDA) of Washington 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 March, 1966. The purpose of Washington Water Authority (the "Authority") 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 in the western portion of Washington County that do not have access to adequate and proper supplies of water. Washington Water Authority was reorganized as a product of the RDA in April 1988. The purpose of the Authority is to act as an agent of the RDA, and has no rights other than those set forth by RDA. It operates under the same rules and regulations as that of the parent organization. The Authority may not incur indebtedness and may not expend more than 20% of its reserve funds without the approval of the RDA.

Basis of Presentation and Accounting

The accounts of the Authority 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 Authority's assets, liabilities, net assets, 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; (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 Authority is determined by its measurement focus. The transactions of the Authority 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 assets. Net assets (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.

Estimates

Management of the Authority 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 Authority 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.

Restricted Assets

Certain proceeds of the Authority's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statements of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Authority are also considered restricted.

Inventories

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

**WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Authority 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 assets. 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:

Asset	Years
Water lines	40
Storage facilities	40
Buildings	30-40
Equipment	3-10
Furniture and fixtures	7
Leasehold Improvements	5-40

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 refundings 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.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. 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 assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

Reclassification

Certain 2023 items may have been reclassified in order to conform with the 2024 financial statement presentation.

**WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 does not meet the definition of “restricted.”

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the Authority. The budget of the Authority 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.

Income Taxes

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

Receivables

The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2024 management had determined that minimal additional accounts needed to be written off. Bad debt expense for the years ended December 31, 2024 and 2023 was \$16,009 and \$0, respectively.

Date of Management’s Review

Subsequent events have been evaluated through May 20, 2025, which is the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS:

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 Authority’s name. At December 31, 2024, deposits were adequately insured.

NOTE 3 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2024 is as follows:

	Balance 12/31/23	Additions	Retirements and transfers	Balance 12/31/24
Land	\$ 485,488	\$ -	\$ -	\$ 485,488
Buildings	184,990	-	-	184,990
Water Lines	53,572,773	1,434,897	-	55,007,670
Storage Facilities	2,076,240	-	-	2,076,240
Equipment	1,568,357	193,895	(55,494)	1,706,758
Furniture and Fixtures	75,936	-	-	75,936
Leasehold Improvements	218,975	-	-	218,975
Construction in Progress	251,042	1,508,545	(1,434,899)	324,688
	<u>58,433,801</u>	<u>3,137,337</u>	<u>(1,490,393)</u>	<u>60,080,745</u>
Less Accumulated Depreciation	(26,655,178)	(1,484,842)	55,494	(28,084,526)
Total Net Capital Assets	<u>\$ 31,778,623</u>	<u>\$ 1,652,495</u>	<u>\$ (1,434,899)</u>	<u>\$ 31,996,219</u>

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

	Balance 12/31/22	Additions	Retirements and transfers	Balance 12/31/23
Land	\$ 485,488	\$ -	\$ -	\$ 485,488
Buildings	184,990	-	-	184,990
Water Lines	52,531,090	1,041,683	-	53,572,773
Storage Facilities	2,076,240	-	-	2,076,240
Equipment	1,774,775	-	(206,418)	1,568,357
Furniture and Fixtures	77,157	14,041	(15,262)	75,936
Leasehold Improvements	204,533	22,472	(8,030)	218,975
Construction in Progress	571,781	683,656	(1,004,395)	251,042
	<u>57,906,054</u>	<u>1,761,852</u>	<u>(1,234,105)</u>	<u>58,433,801</u>
Less Accumulated Depreciation	(25,449,715)	(1,439,441)	224,409	(26,655,178)
Total Net Capital Assets	<u>\$ 32,456,339</u>	<u>\$ 322,411</u>	<u>\$ (1,009,696)</u>	<u>\$ 31,778,623</u>

WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 5 – LONG-TERM DEBT:

Long-term debt consists of the following:

	2024	2023
Loan payable to Arkansas Development Finance Authority, due in semi-annual installments of \$76,984, including interest at 0% and a service fee at .5%, beginning October 2020 through April 2030. (1)	\$ 834,264	\$ 983,501
Revenue bond payable to USDA, due in monthly installments of \$4,597, including interest at 3%, beginning January 2014 through December 2051. (2)	1,018,724	1,042,930
2018 Series Refunding Revenue bond payable to Bank OZK, due in varying monthly installments, including interest at a variable rate, beginning March 2019 through September 2033. (1)	8,405,000	9,130,000
Financing lease payable to Total Document Solutions, Inc., due in monthly installments of \$146, beginning August 2022 through August 2027. (1)	4,454	6,140
	10,262,442	11,162,571
Less: Current Portion	(926,500)	(900,100)
Long-Term Portion	\$ 9,335,942	\$ 10,262,471

(1) The loan/bond/financing lease has no restrictive covenants.

(2) The revenue bonds have restrictive covenants including the requirement to begin accumulating a debt service reserve in monthly installments of \$460, with a minimum funding requirement of \$55,164, beginning January 2014 and a short-lived asset reserve in the monthly installments of \$7,720 while the bonds are outstanding.

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

	Principal	Interest	Total
2025	\$ 926,500	\$ 321,834	\$ 1,248,334
2026	953,100	294,584	1,247,684
2027	984,188	266,554	1,250,742
2028	1,009,700	237,197	1,246,897
2029	1,040,366	208,145	1,248,511
2030-2034	4,616,664	502,307	5,118,971
2035-2039	178,800	97,020	275,820
2040-2044	207,800	68,020	275,820
2045-2049	241,300	34,520	275,820
2050-2051	104,024	3,558	107,582
	\$ 10,262,442	\$ 2,033,739	\$ 12,296,181

**WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE 5 – LONG-TERM DEBT (continued):

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

	Balance 12/31/23	Additions	Retirements	Balance 12/31/24	Due Within One Year
Long Term Debt					
Water Revenue Bonds	\$ 10,113,501	\$ -	\$ (874,237)	\$ 9,239,264	\$ 900,000
Loans	1,042,931	-	(24,207)	1,018,724	24,900
Financing leases	6,139	-	(1,751)	4,454	1,600
	<u>\$ 11,162,571</u>	<u>\$ -</u>	<u>\$ (900,195)</u>	<u>\$ 10,262,442</u>	<u>\$ 926,500</u>

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

	Balance 12/31/22	Additions	Retirements	Balance 12/31/23	Due Within One Year
Long Term Debt					
Water Revenue Bonds	\$ 10,961,995	\$ -	\$ (848,494)	\$ 10,113,501	\$ 749,200
Loans	1,066,425	-	(23,494)	1,042,931	149,200
Financing leases	7,716	-	(1,577)	6,139	1,700
	<u>\$ 12,036,136</u>	<u>\$ -</u>	<u>\$ (873,565)</u>	<u>\$ 11,162,571</u>	<u>\$ 900,100</u>

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$10,262,442 in revenue bonds/loans/financing leases. Proceeds from the bonds/loans/financing leases were used for building of the Authority's water system and purchase of equipment. Principal and interest on the bonds/loans/financing leases are payable through 2051, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2024 were \$900,195 and \$343,270, respectively. Principal and interest paid in the year ended December 31, 2023 were \$873,565 and \$367,885, respectively.

NOTE 6 – 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 5).

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

	2024	2023
Meter deposits	\$ 675,931	\$ 624,247
Cash held in trust	424,471	399,421
Other restricted funds	2,071,149	928,804
	<u>\$ 3,171,551</u>	<u>\$ 1,952,472</u>

**WASHINGTON WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE 7 – ARKANSAS PUBLIC EMPLOYEE RETIREMENT PENSION PLAN:

Plan Description. The Authority contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Beginning July 1, 2023, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.75% as of July 1, 2024. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The Authority's contributions to APERS for the years ending December 31, 2024 and 2023 were \$147,104 and \$125,798, respectively, equal to the required contributions for the year.

NOTE 8– COMMITMENTS:

In December 2023, the Authority awarded a contractor a \$933,485 contract on the Goose Creek Road Line Relocate project. As of December 31, 2024, this project is underway. The Authority has yet to incur any costs with this contractor.



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 of
Washington Water Authority
Farmington, 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 Washington Water Authority (the "Authority"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 20, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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, in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

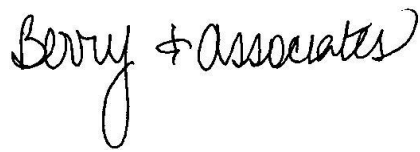
**Board of Directors
Washington Water Authority
Page 2**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. 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 Authority'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.

A handwritten signature in cursive script that reads "Berry & Associates". The signature is written in black ink and is positioned above the typed name of the firm.

Berry & Associates
Little Rock, Arkansas
May 20, 2025

**WASHINGTON WATER AUTHORITY
 SUPPLEMENTARY INFORMATION REQUIRED BY THE USDA RURAL DEVELOPMENT
 For The Year Ended December 31, 2024**

WATER RATE SCHEDULE:

Authority has approximately 7,548 water customers connected to the system as of December 31, 2024. The current water rate schedule is presented as follows:

					Rate Effective December 24, 2024
0	to	1,000	Gallons	\$ *	Base Rate
1,001	and	over	Gallons	10.92	Per Thousand Gallons

* Each meter size has a different base rate. See below for each base rate.

5/8" Meter	\$	32.87
3/4" Meter	\$	37.87
1" Meter	\$	42.87
1 1/2" Meter	\$	62.87
2" Meter	\$	72.87
3" Meter	\$	97.87

The Authority purchases water from Benton Washington Regional Public Water Authority. Benton Washington Regional Public Water Authority began billing the Authority \$1.50 per month per meter, effective with billings due November 17, 2010. The Authority’s Board of Directors approved passing this charge on to their customers.

Gallons consumed totaled approximately 1,073,335 for the year ended December 31, 2024.

BOARD OF DIRECTORS:

The affairs of the Authority are under the control of the Board of Directors, who are appointed by the Washington County Judge and approved by the Quorum Court of Washington County. Members of the Board of the Directors at December 31, 2024 were:

Name	Title
Butch Bartholomew	Chair
Larry Walker	Vice Chairman
Terri Lynne McNaughton	Secretary
Lee DuChanois	Director
Howard Carter	Director
Brad Hardin	Director
Chris Coker	Director

ACCOUNTING:

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

**WASHINGTON WATER AUTHORITY
SUPPLEMENTARY INFORMATION REQUIRED BY THE USDA RURAL DEVELOPMENT
For The Year Ended December 31, 2024**

INSURANCE IN FORCE:

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
<u>Fire, lightning, extended coverage, and terrorism (20% co-insurance)</u>		
Real property	1/1/2025	\$ 15,896,471
Personal Property		Included with real property
<u>Automotive</u>		
Collision (\$500 deductible)	1/1/2025	A.C.V
Comprehensive (\$500 deductible)	1/1/2025	A.C.V
Liability insurance -	1/1/2025	A.C.V
Bodily injury		1,000,000
Property damage		25,000
Accidental health		25,000
Medical		5,000/25,000
Uninsured motorist protection -		
Bodily injury		1,000,000
Property damage		1,000,000
<u>Hired and Non-Owned Vehicle</u>		
Bodily injury & property damage	1/1/2025	50,000
<u>General Liability Insurance</u>		
Bodily injury	1/1/2025	1,000,000
Property damage		1,000,000
<u>Worker's Compensation</u>		
Bodily injury	1/1/2025	1,000,000
<u>Fidelity Bond</u>		
Chairman of the Board	1/1/2025	1,000,000
Treasurer		
Manager and Controller		
Notary Public Bond		
<u>Right Way Bonds</u>		
County	6/1/2023	10,000
State	5/21/2023	30,000

WASHINGTON WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Water sales	\$ 6,800,000	\$ 6,800,000	\$ 7,341,246	\$ 541,246
Connection and other fees	712,500	712,500	517,277	(195,223)
Total operating revenues	<u>7,512,500</u>	<u>7,512,500</u>	<u>7,858,523</u>	<u>346,023</u>
OPERATING EXPENSES				
Cost of water	2,906,500	2,906,500	2,960,177	(53,677)
Contract labor	-	-	268,858	(268,858)
Insurance	350,000	350,000	82,088	267,912
Materials and supplies	525,000	525,000	373,708	151,292
Mileage and truck expenses	70,000	70,000	97,298	(27,298)
Miscellaneous	67,000	67,000	12,856	54,144
Office supplies and postage	122,500	122,500	108,073	14,427
Payroll taxes	75,000	75,000	74,549	451
Professional services	112,000	112,000	294,397	(182,397)
Employee benefits	-	-	232,167	(232,167)
Pension expense	-	-	147,104	(147,104)
Depreciation	-	-	1,484,842	(1,484,842)
Maintenance and repairs	150,000	150,000	356,767	(206,767)
Salaries	1,250,000	1,250,000	1,001,097	248,903
Training	-	-	9,593	(9,593)
Uniforms	10,000	10,000	20,211	(10,211)
Utilities and telephone	225,000	225,000	225,250	(250)
Total operating expenses	<u>5,863,000</u>	<u>5,863,000</u>	<u>7,749,033</u>	<u>(1,886,033)</u>
OPERATING INCOME (EXPENSES)	<u>1,649,500</u>	<u>1,649,500</u>	<u>109,490</u>	<u>(1,540,010)</u>
NONOPERATING REVENUE (EXPENSES)				
Other income	55,000	55,000	1,043,186	988,186
Interest income	8,000	8,000	99,392	91,392
Interest expense	(1,250,000)	(1,250,000)	(338,573)	911,427
Bad debt expense	-	-	(16,009)	(16,009)
Gain on disposal of capital assets	-	-	3,777	3,777
Net nonoperating revenues (expenses)	<u>(1,187,000)</u>	<u>(1,187,000)</u>	<u>791,772</u>	<u>1,978,772</u>
CHANGE IN NET POSITION	<u>\$ 462,500</u>	<u>\$ 462,500</u>	<u>\$ 901,262</u>	<u>\$ 438,762</u>