

**SOUTHWEST WHITE COUNTY WATER
ASSOCIATION PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS**

Financial Statements

Years Ended December 31, 2024 and 2023



ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

Members of the Public Water Authority Board
Southwest White County Water Association
Public Water Authority of the State of Arkansas
Searcy, Arkansas

Opinions

We have audited the accompanying financial statements of Southwest White County Water Association Public Water Authority of the State of Arkansas as of, and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Public Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwest White County Water Association Public Water Authority of the State of Arkansas as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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 Southwest White County Water Association Public Water Authority of the State of Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest White County Water Association Public Water Authority of the State of Arkansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 a 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 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 Southwest White County Water Association Public Water Authority of the State of Arkansas' 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 Southwest White County Water Association Public Water Authority of the State of Arkansas' 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 and the schedules of proportionate share of net pension liability and contributions to Arkansas Public Employees Retirement System on pages 4 through 7 and 24 through 25 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025, on our consideration of Southwest White County Water Association Public Water Authority of the State of Arkansas' 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 Southwest White County Water Association Public Water Authority of the State of Arkansas' 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 Southwest White County Water Association Public Water Authority of the State of Arkansas' internal control over financial reporting and compliance.

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas
June 6, 2025

**SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
P.O. BOX 1228
SEARCY, ARKANSAS 72145**

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2024 and 2023

Introduction

As financial management of Southwest White County Water Association Public Water Authority of the State of Arkansas ("Public Water Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Public Water Authority, for the fiscal years ended December 31, 2024 and 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage those using these financial statements to consider the information presented here along with the financial statements as a whole.

Financial Highlights

Operating revenues for 2024 were \$3,258,973 an increase of \$219,130 or 7.21% compared to 2023. Operating revenues for 2023 were \$3,039,843, an increase of \$258,253 or 9.28% compared to 2022. Operations resulted in an increase in net position of \$725,239 in 2024 and \$470,568 in 2023. The term "net position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. At the close of the fiscal year 2024, the Public Water Authority had a net position of \$7,796,620, an increase of \$730,380 from the 2023 net position of \$7,066,240. The 2023 net position increased \$443,423 from the 2022 net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Southwest White County Water Association Public Water Authority of the State of Arkansas' financial statements, which is comprised of the financial statements and the notes to the financial statements. Since the Public Water Authority is comprised of a single proprietary fund, no fund level financial statements are shown.

Financial Statements - The financial statements are designed to provide readers with a broad overview of the Public Water Authority's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Public Water Authority's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial condition of the Public Water Authority is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates financial improvement.

The statement of revenues, expenses and changes in net position presents information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses may be reported in the financial statement for some items that will only result in cash receipts and disbursements in future fiscal periods, for example, accounts receivable outstanding at year end are collected in the following year and accounts payable outstanding at year end are paid in the following year.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the Public Water Authority, assets exceeded liabilities by \$7,796,620 at the close of 2024. This represents an increase of \$730,380 or 10.33%, compared to the net position of 2023. Assets exceeded liabilities by \$7,066,240 at the close of 2023. This represents an increase of \$443,423 or 6.69%, compared to the net position of 2022.

A portion of the Public Water Authority net position reflects its investment in land, the distribution system, work in progress, and office furniture and equipment, less the related outstanding capital debt which provided the funds to acquire those assets. The Public Water Authority uses these capital assets to provide services and consequently, these assets are not available to liquidate liabilities or use for other spending.

A condensed summary of the Public Water Authority's net position as of December 31, 2024, 2023 and 2022, is provided below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current Assets	\$ 2,558,372	\$ 1,668,173	\$ 2,106,162
Capital Assets	9,257,210	9,158,861	8,436,778
Other Assets	657,203	726,131	737,310
Total Assets	<u>\$ 12,472,785</u>	<u>\$ 11,553,165</u>	<u>\$ 11,280,250</u>
Liabilities			
Current Liabilities	\$ 281,080	\$ 297,852	\$ 355,925
Noncurrent Liabilities	4,395,085	4,189,073	4,301,508
Total Liabilities	<u>\$ 4,676,165</u>	<u>\$ 4,486,925</u>	<u>\$ 4,657,433</u>
Net Position			
Invested in Capital Assets-Net of Related Debt	\$ 5,415,195	\$ 5,606,538	\$ 4,728,492
Restricted Net Position	318,913	309,127	296,465
Unrestricted Net Position	<u>2,062,512</u>	<u>1,150,575</u>	<u>1,597,860</u>
Total Net Position	<u>\$ 7,796,620</u>	<u>\$ 7,066,240</u>	<u>\$ 6,622,817</u>

A condensed summary of the Public Water Authority's changes in net position for the calendar years of 2024, 2023 and 2022 is provided below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 3,258,973	\$ 3,039,843	\$ 2,781,590
Operating Expenses	2,533,734	2,569,275	2,349,750
Income (Loss) from Operations	<u>\$ 725,239</u>	<u>\$ 470,568</u>	<u>\$ 431,840</u>
Nonoperating Revenues (Expenses)			
Gain on Sale of Assets	\$ 3,879	\$ 24,305	\$ 6,597
Interest Income	103,945	53,114	6,985
Reimbursements from State	1,075	-	-
Interest Expense	(102,688)	(104,564)	(109,401)
Fee Expense	(1,070)	-	-
	<u>\$ 5,141</u>	<u>\$ (27,145)</u>	<u>\$ (95,819)</u>
Increase (Decrease) in Net Position	\$ 730,380	\$ 443,423	\$ 336,021
Net Position, Beginning of Year	<u>7,066,240</u>	<u>6,622,817</u>	<u>6,286,796</u>
Net Position, End of Year	<u>\$ 7,796,620</u>	<u>\$ 7,066,240</u>	<u>\$ 6,622,817</u>

Cash Flows - Net cash provided by operating activities for 2024 and 2023 were \$1,236,614 and \$1,035,929, respectively. Net cash used by capital and related financing activities for 2024 and 2023 were \$481,647 and \$1,535,802, respectively, while net cash used by investing activities for 2024 and 2023 were \$663,689 and \$961,269, respectively.

Significant Events - The Public Water Authority (PWA) continues to make improvements to the water system including a project that will provide an additional source of water. During 2023 the PWA began charging a flat fee of \$7.00 per customer per month, with 2024 being the first full year for the fee. This was necessary to meet the requirements of ANRC for funding future projects. During the year the PWA was approved for \$14,441,906 from ANRC to fund projects.

Capital Asset and Related Debt

Capital Assets - The Public Water Authority's investment in capital assets amounted to \$9,257,209 as of December 31, 2024. This was an increase of \$98,348 from 2023. Investment in capital assets amounted to \$9,158,861 as of December 31, 2023, an increase of \$722,083 from 2022.

Capital Debt - As of December 31, 2024 and 2023, total outstanding debt was \$3,826,421 and \$3,536,733, respectively.

Requests for Information

This financial report is designed to provide a general overview of Southwest White County Water Association Public Water Authority of the State of Arkansas' finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Tate House, General Manager, P. O. Box 1228, Searcy, AR 72145.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 477,133	\$ 391,003
Certificates of Deposit Maturing After Three Months	1,767,931	1,009,291
Accounts Receivable, Net	245,221	234,307
Accrued Interest Receivable	9,060	5,682
Other Receivable	2,841	0
Inventory	56,186	27,890
	\$ 2,558,372	\$ 1,668,173
<u>Capital Assets</u>		
Office Furniture and Equipment	\$ 171,321	\$ 167,098
Office Building	246,879	246,879
Water Distribution System	16,723,742	16,422,872
Tools and Equipment	249,524	249,524
Vehicles	332,806	316,550
Plant Buildings	84,613	84,613
	\$ 17,808,885	\$ 17,487,536
Less: Accumulated Depreciation	(10,150,734)	(9,593,411)
	\$ 7,658,151	\$ 7,894,125
Land	54,893	54,893
Work in Progress	1,544,166	1,209,843
	\$ 9,257,210	\$ 9,158,861
<u>Noncurrent Assets</u>		
Restricted Cash	\$ 222,415	\$ 217,267
Restricted Certificates of Deposit	366,260	348,659
	\$ 588,675	\$ 565,926
<u>Deferred Outflow of Resources</u>		
Deferred Pension Outflows	\$ 68,528	\$ 160,205
	\$ 68,528	\$ 160,205
Total Assets & Deferred Outflows of Resources	\$ 12,472,785	\$ 11,553,165

See Notes to Financial Statements

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2024 and 2023

LIABILITIES

Current Liabilities

Accounts Payable	\$ 69,203	\$ 89,931
Payroll Taxes Payable	454	1,007
Accrued Wages Payable	30,833	27,018
Sales Tax Payable	0	6,231
Accrued Interest Payable	15,872	15,581
Accrued Fee Payable	372	0
Bonds and Notes Payable Due within One Year	164,346	158,084
	<u>\$ 281,080</u>	<u>\$ 297,852</u>

Long-Term Debt

Bonds and Notes Payable	\$ 3,826,421	\$ 3,536,733
Less: Amount Due within One Year	<u>(164,346)</u>	<u>(158,084)</u>
	\$ 3,662,075	\$ 3,378,649
Net Pension Obligation	388,866	531,878
	<u>\$ 4,050,941</u>	<u>\$ 3,910,527</u>

Other Noncurrent Liabilities

Customer Meter Deposits	\$ 281,046	\$ 269,061
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Deferred Inflows of Resources

Deferred Pension Inflows	\$ 63,098	\$ 9,485
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Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,676,165</u>	<u>\$ 4,486,925</u>
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NET POSITION

Invested in Capital Assets, Net of Related Debt	\$ 5,415,195	\$ 5,606,538
Restricted	318,913	309,127
Unrestricted	<u>2,062,512</u>	<u>1,150,575</u>
	<u>\$ 7,796,620</u>	<u>\$ 7,066,240</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 12,472,785</u>	<u>\$ 11,553,165</u>

See Notes to Financial Statements

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Operating Revenues</u>		
Water Sales	\$ 2,654,362	\$ 2,599,826
Late Charges	42,845	38,401
Other Income	561,766	401,616
	<u>\$ 3,258,973</u>	<u>\$ 3,039,843</u>
<u>Operating Expenses</u>		
Purchase of Water	\$ 904,767	\$ 827,228
Salaries and Wages	368,632	409,690
Payroll Taxes	27,195	30,483
Employee Health Insurance	32,954	33,521
Employee Retirement	52,147	115,121
Contract Labor	93,318	74,486
Depreciation	574,846	577,487
Health Department Fees	22,171	21,732
Insurance	42,877	34,436
Miscellaneous	10,969	10,196
Office Supplies	14,067	19,445
Postage and Delivery	19,365	17,920
Professional Services	67,347	77,266
Repairs and Maintenance	150,874	158,157
Telephone	15,638	14,501
Uncollectable Accounts	9,000	9,000
Utilities	83,365	88,847
Vehicle Expense	44,202	49,759
	<u>\$ 2,533,734</u>	<u>\$ 2,569,275</u>
<u>Income (Loss) from Operations</u>	<u>\$ 725,239</u>	<u>\$ 470,568</u>
<u>Nonoperating Revenues and Expenses</u>		
Gain on Sale of Assets	\$ 3,879	\$ 24,305
Reimbursements from State	1,075	0
Interest Income	103,945	53,114
Interest Expense	(102,688)	(104,564)
Fee Expense	(1,070)	0
	<u>\$ 5,141</u>	<u>\$ (27,145)</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ 730,380</u>	<u>\$ 443,423</u>
Net Position, Beginning of Year	<u>7,066,240</u>	<u>6,622,817</u>
<u>Net Position, End of Year</u>	<u>\$ 7,796,620</u>	<u>\$ 7,066,240</u>

See Notes to Financial Statements

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 3,236,218	\$ 3,018,928
Payments to Suppliers	(1,637,065)	(1,628,128)
Payments to Employees	(362,539)	(354,871)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 1,236,614</u>	<u>\$ 1,035,929</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Bonds and Notes Payable	\$ 289,688	\$ (155,385)
Acquisition and Construction of Capital Assets	(681,315)	(1,329,765)
Proceeds from Sale of Capital Assets	12,000	54,500
Interest and Fees Paid on Debt	(102,020)	(105,152)
<u>Net Cash Provided (Used) by Capital and Related Financing Activities</u>	<u>\$ (481,647)</u>	<u>\$ (1,535,802)</u>
<u>Cash Flows from Investing Activities</u>		
(Increase) Decrease in Certificates of Deposit	\$ (776,241)	\$ (1,022,000)
Increase in Customer Meter Deposits	11,985	12,555
Interest Income	100,567	48,176
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>\$ (663,689)</u>	<u>\$ (961,269)</u>
<u>Net Increase in Cash, Cash Equivalents and Restricted Cash</u>	<u>\$ 91,278</u>	<u>\$ (1,461,142)</u>
<u>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</u>	<u>608,270</u>	<u>2,069,412</u>
<u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>	<u>\$ 699,548</u>	<u>\$ 608,270</u>
<u>Reconciliation to Statement of Net Position</u>		
Cash and Cash Equivalents	\$ 477,133	\$ 391,003
Restricted Cash Included in Noncurrent Assets	222,415	217,267
<u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>	<u>\$ 699,548</u>	<u>\$ 608,270</u>

See Notes to Financial Statements

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

Reconciliation of Income (Loss) from Operations
to Net Cash Provided (Used) by Operating Activities

	2024	2023
<u>Income (Loss) from Operations</u>	\$ 725,239	\$ 470,568
 <u>Adjustments to Reconcile Income (Loss) from Operations</u> <u>to Net Cash Provided (Used) by Operating Activities</u>		
Depreciation	\$ 574,846	\$ 577,487
(Increase) Decrease in:		
Accounts Receivable	(10,914)	(11,915)
Inventories	(28,297)	2,744
Prepaid Expenses	-	-
Increase (Decrease) in:		
Accounts Payable	(20,728)	(57,888)
Accrued Expenses	(3,532)	54,933
Total Adjustments	\$ 511,375	\$ 565,361
 <u>Net Cash Provided (Used) by Operating Activities</u>	 \$ 1,236,614	 \$ 1,035,929

Non-Cash Transactions

There were no non-cash transactions in 2024 or 2023.

See Notes to Financial Statements

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note A - Significant Accounting Policies

(1) Financial Reporting Entity

Southwest White County Water Association Public Water Authority of the State of Arkansas (the Public Water Authority) is a body politic and corporate and political subdivision of the State of Arkansas. Articles of Incorporation were filed with the Arkansas Secretary of State on February 11, 2008.

The Public Water Authority owns and operates a water distribution system serving residents of southwest White County in Arkansas.

(2) Proprietary Fund

The Public Water Authority's operations are accounted for as a proprietary fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Income, gains, expenses and losses not related to providing goods and services are considered nonoperating.

(3) Basis of Accounting

The Public Water Authority's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, rather than when they are received, and expenses are recognized when they are incurred, rather than when they are paid.

(4) Cash and Cash Equivalents

The Public Water Authority considers investments with an original maturity when acquired of three months or less to be cash equivalents.

(5) Deposits and Investments with Financial Institutions

Cash deposits and investments of the Public Water Authority are restricted by Arkansas law which generally permits investments in direct obligations of the United States government and certificates of deposits with financial institutions located within the United States if the deposits are fully insured by the Federal Deposit Insurance Corporation, as well as certain other investments. Uninsured investments must be collateralized.

(6) Inventory

Inventory consists of materials used in the installation of new water service and for repairs. These are valued at cost by applying the first-in, first-out method and are reported at the lower of cost or net realizable value.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

(7) Capital Assets

Property and equipment are recorded at cost and capitalized. Depreciation is provided by applying the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciating office furniture and equipment, vehicles and tools and equipment are 5-10 years, for pumps and treatment equipment 10-15 years, for buildings 30 years and the distribution system 40-50 years.

(8) Pensions

For Purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System Plan (APERS Plan) and additions to/deductions from APERS Plan's fiduciary net position have been determined on the same basis as they are reported by the APERS Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(9) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - Cash

The Public Water Authority currently utilizes the services of multiple financial institutions. Total cash deposits with any one financial institution not exceeding \$250,000 should be insured by the F.D.I.C. The Public Water Authority has entered into a collateral security agreement with First Security Bank in which total deposits exceed \$250,000 to secure amounts in excess of F.D.I.C. coverage. At December 31, 2024, \$587,007 in deposits exceeded the F.D.I.C. limits while \$488,033 in deposits exceeded the F.D.I.C. limits at December 31, 2023. These amounts were fully collateralized by securities held by First National Bankers Bank. The Public Water Authority has entered into a collateral security agreement with Riverwind Bank in which total deposits exceed \$250,000 to secure amounts in excess of F.D.I.C. coverage. At December 31, 2024, \$629,760 in deposits exceeded the F.D.I.C. limits while \$299,365 in deposits exceeded the F.D.I.C. limits at December 31, 2023. These amounts were fully collateralized by securities held by First Horizon.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note C - Restricted Cash and Certificates of Deposit

Certain cash and certificates of deposit are restricted for short lived asset and depreciation reserve accounts in compliance with the terms of the bond agreement with USDA/Rural Development, as well as for bond fund and reserve accounts as required by the terms of the bond agreement administered by Farmers and Merchants Bank.

The composition of restricted cash as of December 31, 2024 and 2023 is provided below.

	2024	2023
Meter Deposit Fund	\$ -	\$ -
Debt Service Reserve-Rural Development Loan	-	-
Bond Fund- 2020 Revenue Refunding Bond	103,415	103,517
Debt Service Reserve Funds- 2020 Revenue Refunding Bonds	119,000	113,750
	\$ 222,415	\$ 217,267

The composition of restricted certificates of deposit as of December 31, 2024 and 2023 is provided below.

	2024	2023
Meter Deposit Fund	\$ 269,762	\$ 256,798
Debt Service Reserve-Rural Development Loan	96,498	91,861
	\$ 366,260	\$ 348,659

Note D - Accounts Receivable

Accounts receivable consist of amounts due for water sales and various miscellaneous charges. Receivables and revenues have been pledged as security on outstanding bond issues. Accounts receivable at December 31, 2024 and 2023 were \$245,221 and \$234,307, net of allowance for doubtful accounts. Amounts of uncollectable accounts expensed were \$9,000 and \$9,000 for the years ended December 31, 2024 and 2023, respectively.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note F - Bonds and Notes Payable

Long-term debt consists of the following:

	2024	2023
USDA/Rural Development, payable in monthly installments of \$7,408, including principal and interest at an annual interest rate of 3.75%, scheduled to mature December 4, 2050, and secured by a lien on all structures, improvements and the distribution system	1,470,272	1,503,359
Farmers & Merchants Bank-Series 2020 Water Revenue Refunding bonds are payable in monthly installments of \$14,799.43, including principal, interest and trustee fees. The bonds bear an annual interest rate of 1.5% to 2.625% and are scheduled to mature April 1, 2037. The bonds are secured by a lien on all structures, improvements and the distribution system and pledge of revenues.	1,920,000	2,045,000
Arkansas Natural Resource Commission-Series 2024 Water Revenue bond for a maximum amount of \$14,441,906 to be drawn down as needed for construction projects, with repayment beginning April 1, 2028 with monthly installments of \$71,381.62, including principle, interest, and service fees. The bond bears an annual interest rate of .75% and 1% service fee and is scheduled to mature March 1, 2048. The bond is secured by a lien on all structures, improvements and the distribution system. Interest and Service fees will accrue until April 1, 2028. The amounts included in the maturity schedule are based on the balance as of December 31, 2024	446,353	0
Total Debt	\$ 3,836,625	\$ 3,548,359
Less: Bond Issue Discount	(10,204)	(11,626)
Less: Current Portion	(164,346)	(158,084)
Total Long-Term Debt	\$ 3,662,075	\$ 3,378,649

A maturity schedule of long-term debt is presented below.

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2025	269,124	164,346	100,327	4,451
2026	266,720	165,657	96,612	4,451
2027	269,167	172,017	92,699	4,451
2028	280,420	187,464	88,551	4,405
2029	282,287	193,897	84,166	4,224
2030-2034	1,423,520	1,058,661	346,680	18,179
2035-2039	1,117,876	898,827	206,100	12,949
2040 -2044	576,451	444,303	124,906	7,242
2045-2049	531,483	476,466	53,615	1,402
2050	76,321	74,987	1,334	-
	\$ 5,093,369	\$ 3,836,625	\$ 1,194,990	\$ 61,754

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Changes in long-term obligations for the years ended December 31, 2024 and 2023 were as follows:

	Balance 12/31/23	Increases	Decreases	Balance 12/31/24	Due Within One Year	Due in Excess of One Year
Revenue Bonds	\$ 3,536,733	\$ 446,353	\$ 156,665	\$ 3,826,421	\$ 164,346	\$ 3,662,075
Notes Payable	-	-	-	-	-	-
Customer Deposits	269,061	11,985	-	281,046	-	281,046
Compensated Absences	27,018	591 *	-	27,609	27,609	-
Net Pension Obligation	531,878	-	143,012	388,866	-	388,866
Total Long-Term Liabilities	<u>\$ 4,364,690</u>	<u>\$ 458,929</u>	<u>\$ 299,677</u>	<u>\$ 4,523,942</u>	<u>\$ 191,955</u>	<u>\$ 4,331,987</u>

	Balance 12/31/22	Increases	Decreases	Balance 12/31/23	Due Within One Year	Due in Excess of One Year
Revenue Bonds	\$ 3,692,118	-	\$ 155,385	\$ 3,536,733	\$ 158,084	\$ 3,378,649
Notes Payable	-	-	-	-	-	-
Customer Deposits	256,506	12,555	-	269,061	-	269,061
Compensated Absences	27,945	-	927 *	27,018	27,018	-
Net Pension Obligation	503,671	28,207	-	531,878	-	531,878
Total Long-Term Liabilities	<u>\$ 4,480,240</u>	<u>\$ 40,762</u>	<u>\$ 156,312</u>	<u>\$ 4,364,690</u>	<u>\$ 185,102</u>	<u>\$ 4,179,588</u>

* The change in the compensated absences liability is presented as a net change.

Note G - Risk Management

The Public Water Authority has commercial insurance to cover various potential risk areas including automobile liability, theft or destruction of business assets, work-related employee injuries and illnesses (worker's compensation), errors and omissions, directors and officers liability, employment practices liability, and employee dishonesty. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note H - Retirement Plan - APERS

The Public Water Authority contributes to the Arkansas Public Employees Retirement System (APERS Plan), which is a cost-sharing multi-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this system. The Plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 and 1957. The costs of administering the plan are paid out of investment earnings.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the director of the Department of Finance and Administration.

(1) Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service.

The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2007	2.07%
Contributory, on or after 7/1/2007	2.03%
Non-Contributory	1.72%

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

- at age 65 with 5 years of service
- at any age with 28 years of actual service
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)
- at age 55 with 35 years of credited service for elected or safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

(2) Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5.25% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The employer contribution rates applicable were 15.32% (July 1, 2022 to June 30, 2023), 15.32% (July 1, 2023 to June 30, 2024), and 15.32% (July 1, 2024 to December 31, 2024).

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report found at <http://www.apers.org/publications>.

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

At December 31, 2024 and 2023, the PWA reported a liability of \$388,866 and \$531,878, respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2024 and 2023 the PWA's proportions was 0.0156% and .0182%, respectively.

For the years ended June 30, 2024 and 2023, the PWA recognized pension expense of \$52,147 and \$115,121, respectively. At June 30, 2024 and 2023, the PWA's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Difference between expected and actual experience	\$ 15,091	\$ 30,023	\$ (63,098)	\$ (9,485)
Net difference between projected and actual investment earnings on pension plan investments	11,281	66,200	-	-
Changes of assumptions	13,552	25,005	-	-
Changes in proportion and difference between employer contributions and share of contributions	2,105	7,954	-	-
Contributions subsequent to the measurement date	26,499	31,023	-	-
	<u>\$ 68,528</u>	<u>\$ 160,205</u>	<u>\$ (63,098)</u>	<u>\$ (9,485)</u>

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

\$26,499 and \$31,023 reported as deferred outflows of resources related to pensions resulting from the PWA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2024 and December 31, 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>12/31</u>	<u>Amount</u>
2025	2,996
2026	(47,076)
2027	14,849
2028	8,162
Thereafter	<u>-</u>
	<u>\$ (21,069)</u>

(4) Actuarial Assumptions

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

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level of Percent Payroll, Closed

Actuarial Assumptions

Investment Rate of Return: 7.15%

Salary Increases: 3.25% to 9.85% including inflation

Inflation Rate: 3.25% wage inflation, 2.5% price inflation

Mortality rates were based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

Best estimates of arithmetic real rates of return for each major asset class included in the APERS Plan's target asset allocation as of June 30, 2024 are summarized in the table below:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	39%	5.03%
International equity	17%	6.34%
Real estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic fixed	21%	3.38%
 Total	 <u>100%</u>	

The target allocation for the June 30, 2023 measurement date was as follows:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	37%	6.19%
International equity	24%	6.77%
Real assets	16%	3.84%
Absolute return	5%	3.36%
Domestic fixed	18%	1.79%
 Total	 <u>100%</u>	

(5) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2024 and 2023, was 7.00% and 7.00% respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine pension liability.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

(6) Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the PWA's net pension liability as of June 30, 2024 measurement date, calculated using the discount rate of 7.00%, as well as what the PWA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Lower</u> <u>6.00%</u>	<u>Current Rate</u> <u>7.00%</u>	<u>1% Higher</u> <u>8.00%</u>
Net pension liability	<u>\$ 663,345</u>	<u>\$ 388,866</u>	<u>\$ 162,413</u>

Note I - Concentrations of Risk

The Public Water Authority's primary source of water for resale to its customers is from the City of Searcy, Arkansas. Construction was completed in 2016, connecting to Vilonia Waterworks Association's system. This connection will provide emergency water, if needed.

Note J - Date of Management's Review

Subsequent events have been evaluated through June 6, 2025, which is the date the financial statements were available to be issued.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
APERS Fiscal Years Ended June 30, 2015 through 2024

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the Net Pension Liability	.0156%	0.0183%	0.0187%	0.0182%	0.0178%	0.0146%	0.0134%	0.0140%	0.0138%	0.0121%
Proportionate Share of the Net Pension Liability	388,866	531,878	503,671	140,044	510,908	352,777	296,541	360,680	330,610	228,798
Covered-Employee Payroll	509,068	389,918	388,797	398,814	383,178	301,705	257,058	263,731	266,829	249,279
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	76.38%	136.41%	129.55%	35.12%	133.33%	116.93%	115.36%	136.76%	123.90%	91.78%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

This schedule represents ten years of data for Southwest White County Water Association's proportionate share of the Arkansas Public Employee Retirement Plan System.

SOUTHWEST WHITE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF CONTRIBUTIONS TO ARKANSAS PUBLIC EMPLOYEES RETIREMENT
SYSTEM
APERS Fiscal Years Ended June 30, 2015 through 2024

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	\$ 81,088	\$ 61,973	\$ 59,818	\$ 55,724	\$ 53,332	\$ 44,754	\$ 36,498	\$ 38,804	\$ 36,515	\$ 39,901
Contractually Required Contribution	<u>(81,088)</u>	<u>(61,973)</u>	<u>(59,818)</u>	<u>(55,724)</u>	<u>(53,332)</u>	<u>(44,754)</u>	<u>(36,498)</u>	<u>(38,804)</u>	<u>(36,515)</u>	<u>(39,901)</u>
Contribution Deficiency	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	<u>\$ 509068</u>	<u>\$ 389918</u>	<u>\$ 388797</u>	<u>\$ 398814</u>	<u>\$ 383178</u>	<u>\$ 301705</u>	<u>\$ 257058</u>	<u>\$ 263781</u>	<u>\$ 266829</u>	<u>\$ 249279</u>
Contributions as a Percentage of Covered Employee Payroll	<u>15.92%</u>	<u>15.89%</u>	<u>15.39%</u>	<u>13.97%</u>	<u>13.92%</u>	<u>14.83%</u>	<u>14.20%</u>	<u>14.71%</u>	<u>13.68%</u>	<u>16.01%</u>

This schedule represents ten years of data for Southwest White County Water Association's historical contributions and covered payroll to the Arkansas Public Employee Retirement Plan System.



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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

Members of the Public Water Authority Board
Southwest White County Water Association
Public Water Authority of the State of Arkansas
Searcy, 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 Southwest White County Water Association Public Water Authority of the State of Arkansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Southwest White County Water Association Public Water Authority of the State of Arkansas' basic financial statements and have issued our report thereon dated June 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest White County Water Association Public Water Authority of the State of Arkansas' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest White County Water Association Public Water Authority of the State of Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest White County Water Association Public Water Authority of the State of Arkansas' 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest White County Water Association Public Water Authority of the State of Arkansas' 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas

June 6, 2025