

WESTERN GREENE COUNTY REGIONAL WATER DISTRICT

Audited Financial Statements

For the Thirteen Month Period Ended December 31, 2024

Thomas, Speight & Noble
Certified Public Accountants
1120 Windover Road
Jonesboro, AR 72401
(870) 932-5858

Western Greene County Regional Water District
Audited Financial Statements
For the Thirteen Month Period Ended December 31, 2024

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS:	
Statement of Net Position.....	3
Statement of Revenues, Expenses, and Changes in Net Position.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6-10
INDEPENDENT AUDITORS' REPORT REQUIRED BY <i>GOVERNMENT AUDITING</i>	
<i>STANDARDS:</i>	
Report on Compliance & on Internal Control Over Financial Reporting.....	11-12
Schedule of Findings and Questioned Costs.....	13



INDEPENDENT AUDITORS' REPORT

To the Commission
Western Greene County Regional Water District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Western Greene County Regional Water District (the "District") as of and for the thirteen month period ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects of Western Greene County Regional Water District, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 the District 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thomas, Speight & Noble, CPAs

Jonesboro, Arkansas

February 21, 2025

Western Greene County Regional Water District
Statement of Net Position
December 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 592,626
Accounts receivable-customers	110,454
Reserve for bad debts	9,648
Total current assets	<u>712,728</u>

NON-CURRENT ASSETS

Restricted cash and cash equivalents	505,935
Utility deposits	550
Operating lease, right-of-use asset	29,498
Capital asset, net of accumulated depreciation	3,088,586
Total non-current assets	<u>3,624,569</u>

TOTAL ASSETS	<u>\$ 4,337,297</u>
---------------------	----------------------------

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 1,330
Payroll liabilities	4,993
Accrued interest payable	2,089
Other liabilities	10,955
Compensated absences	28,643
Current portion of long-term debt	152,433
Current portion of operating lease, lease liability	8,189
Total current liabilities	<u>208,632</u>

LONG-TERM LIABILITIES

Long-term debt, net of current portion	2,086,924
Operating lease, lease liability	21,309
Total long-term liabilities	<u>2,108,233</u>

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Customer deposits	<u>229,638</u>
-------------------	----------------

TOTAL LIABILITIES	<u>2,546,503</u>
--------------------------	-------------------------

NET POSITION

Net investment in capital assets	849,229
Restricted for debt service	64,336
Restricted for depreciation reserve	225,189
Unrestricted	652,041
Total net position	<u>1,790,795</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,337,297</u>
---	----------------------------

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

Western Greene County Regional Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Period Ended December 31, 2024

OPERATING REVENUES

Water Sales	\$ 1,403,413
Connection Fees	62,524
Late Fees	23,504
Other income	70,829
Total operating revenue	<u>1,560,270</u>

OPERATING EXPENSES

Advertising	511
Bank charges	292
Booster station expense	396
Chemicals	101,185
Contract labor	36,259
Continuing education and seminars	1,624
Depreciation	262,225
Directors fees	900
Dues and subscriptions	2,603
Employee benefits	49,642
Insurance	58,273
Lease expense	10,381
Licenses and registration	308
Line locate service fees	1,438
Maintenance and repairs	24,050
Meals and entertainment	4,331
Meter reading services	58,260
Miscellaneous	782
Office supplies	13,009
Pest control	340
Postage	21,431
Professional fees	19,834
Retirement plan	9,768
Supplies	135,304
Taxes	26,941
Telephone	13,086
Travel and meetings	4,451
Utilities	68,414
Vehicle expense	33,613
Wages	356,016
Total operating expenses	<u>1,315,667</u>

OPERATING INCOME (LOSS)	<u>244,603</u>
--------------------------------	----------------

NON-OPERATING REVENUES (EXPENSES)

Interest income	31,783
Interest expense	(175,384)
Gain (loss) on sale of assets	2,240
Non-operating revenues (expenses)	<u>(141,361)</u>

CHANGE IN NET POSITION	103,242
-------------------------------	---------

NET POSITION, NOVEMBER 30, 2023	<u>1,687,553</u>
--	------------------

NET POSITION, DECEMBER 31, 2024	<u><u>\$ 1,790,795</u></u>
--	----------------------------

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

Western Greene County Regional Water District
Statement of Cash Flows
For the Period Ended December 31, 2024

Cash flows from operating activities:	
Cash receipts from customers	\$ 1,530,621
Cash payments to suppliers for goods and services	(682,640)
Cash payments to employees	(366,053)
Net cash provided by (used in) operating activities	<u>481,928</u>
Cash flows from non-capital financing activities:	
Change in customer meter deposits	<u>8,823</u>
Net cash provided by (used in) non-capital financing activities	<u>8,823</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(91,782)
Interest payments on long-term debt	(175,384)
Proceeds on long-term debt	33,018
Proceeds from sale of capital assets	7,840
Purchases of capital assets	(68,270)
Net cash provided by (used in) financing activities	<u>(294,578)</u>
Cash flows from investing activities:	
Interest received	<u>31,783</u>
Net cash provided by (used in) investing activities	<u>31,783</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	227,956
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>870,605</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,098,561</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 244,603
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	262,225
(Increase)/Decrease In:	
Customer accounts receivable	(21,415)
Increase/(Decrease) In:	
Accounts payable	(16,093)
Accrued interest payable	1,263
Accrued compensation	5,791
Payroll taxes payable	4,246
Other liabilities	1,308
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 481,928</u></u>

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

Western Greene County Regional Water District
Notes to the Financial Statements
December 31, 2024

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Organization

The Western Greene County Regional Water District (the “District”) was created in 1979. The District is a nonprofit, regional water distribution district serving primarily the rural areas of Western Greene County, Arkansas. The system serves around 2,700 customers.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of 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 District’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resource measurement focus and the accrual basis of accounting. The basis of accounting determines when transactions and economic events are reflected in financial statements and measurement focus identifies which transactions and events should be recorded. The measurement focus of an enterprise fund is an economic resources measurement focus, the objectives of which are the determination of an operating income, changes in financial position and cash flow. Under an economic resource measurement focus, all assets, deferred inflows (outflows) of resources and liabilities are reported. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses

When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the District’s policy to apply the expense to restricted net position to the extent such are available and then to unrestricted net position.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the District considers all cash balance on hand, demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Generally accepted accounting principles require that an allowance for doubtful accounts be accrued. The District uses the direct write-off method to record bad debt; as of December 31, 2024, there was no total write-off for bad debt expense.

Capital Assets

Capital assets consist of property, plant and equipment which are stated at historical cost or at estimated cost, if actual historical cost information is not available. Contributed assets are recorded at their estimated fair value at the time of contribution. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. 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 reported as non-operating revenues or expenses. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred. Interest cost related to constructing property, plant and equipment is capitalized as part of the related asset when applicable.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Structure and improvements	15-40 years
Equipment	3-10 years

Western Greene County Regional Water District
Notes to the Financial Statements
December 31, 2024

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Revenue Recognition

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

Use of Estimates

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

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

Net Position

Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net positions 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 net assets – This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

Taxes

The District is exempt from federal income taxes under the Internal Revenue Service code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Commission adopts an annual budget for the District. The budget is adopted under a cash basis and does not include depreciation, certain capital expenses, and certain non-operating income and expense items. All annual appropriations lapse at year-end.

Customer Deposits

All new residential and commercial customers are required to place a utility deposit with the District. The customer's deposit is returned once all outstanding balances are finalized on the customer's account.

Compensated Absences

Vested or accumulated vacation, sick leave, and compensatory time are recorded as an expense and liability as the benefits accrue to employees and are included as part of accrued compensation on the statements of financial position.

NOTE 2: CUSTODIAL CREDIT RISK OF BANK DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. In accordance with Arkansas State statutes, the District requires full collateralization of cash balances above the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2024, the District had bank deposits in the amount of \$1,102,104. There are no amounts in excess of FDIC coverage as of December 31, 2024.

Western Greene County Regional Water District
Notes to the Financial Statements
December 31, 2024

NOTE 3: RESTRICTED CASH

Restricted assets consist of cash reserves restricted by debt covenants and required customer meter deposits.

The following is a summary of the restricted cash and cash equivalents as of December 31, 2024:

	2024
Current-Restricted	
Customer Meter Deposits	\$ 216,410
Noncurrent-Restricted	
Bond Reserve Accounts	289,525
Total	<u>\$ 505,935</u>

NOTE 4: CERTIFICATE OF DEPOSITS

As of December 31, 2024, the District's certificate of deposit balance was \$431,586 of the total amount \$253,994 is unrestricted and \$177,592 is restricted for customer meter deposits or depreciation reserve.

NOTE 5: CAPITAL ASSETS

As summary of changes in capital assets for the thirteen month period ended December 31, 2024 are as follows:

	Balance 11/30/2023	Additions	Deletions	Balance 11/30/2023
Non-depreciable				
Land	\$ 43,119	\$ -	\$ -	\$ 43,119
Depreciable				
Systems lines, tanks, and improvements	8,931,239	-	-	8,931,239
Equipment and vehicles	723,973	68,270	(6,000)	786,243
	9,655,212	68,270	(6,000)	9,717,482
Less: accumulated depreciation	(6,410,190)	(262,225)	400	(6,672,015)
Depreciable assets	3,245,022	(193,955)	(5,600)	3,045,467
Capital assets, net	<u>\$ 3,288,141</u>	<u>\$ (193,955)</u>	<u>\$ (5,600)</u>	<u>\$ 3,088,586</u>

NOTE 6: LONG-TERM LIABILITIES

As summary of long-term debt for the thirteen month period ended December 31, 2024 are as follows:

	Date of Issue	Maturity Date	Rate of Interest	Principal Amount	Outstanding as of 12/31/2024
First National Bank	7/27/2018	7/24/2043	7.25%	\$ 2,500,000	\$ 2,092,250
First National Bank	3/11/2022	5/31/2025	6.88%	25,000	17,851
First National Bank	12/14/2022	4/6/2025	6.21%	43,000	32,983
Ally Financial	3/6/2023	5/6/2029	8.79%	29,000	22,144
Chrysler Capital	9/7/2021	10/7/2023	7.99%	37,980	15,712
De Lage Landem	3/6/2022	2/6/2027	5.17%	30,400	14,140
TD Bank	1/12/2024	1/26/2030	8.82%	30,130	26,490
JD Financial	10/27/2023	11/27/2030	0.90%	22,061	17,787
				<u>\$ 2,717,571</u>	<u>\$ 2,239,357</u>

Western Greene County Regional Water District
Notes to the Financial Statements
December 31, 2024

NOTE 6: LONG-TERM LIABILITIES (Continued)

The first loan to First National Bank is collateralized by a second lien position on all accounts receivable, furniture, fixtures, equipment, inventory, and filing as an abundance of caution of 8 real estate legal descriptions containing water towers. The second and third loans to First National Bank are collateralized by certificates of deposit. The loans to Ally Financial, Chrysler Capital, TD Bank, and De Lage Landem are collateralized by 2023 Ford F150, 2021 Dodge Ram, 2021 Dodge Ram, and 2022 vacuum excavator, respectively. The loan to JD Financial is collateralized by a tractor.

Maturities and analysis of long-term debt changes to the District's long-term debt are as follows:

	2024
Total long-term debt at beginning of year	\$ 2,298,121
Note payable issued	33,018
Note payable retirement	(91,782)
Total long-term debt at the end of year	2,239,357
Less: current portion	(152,433)
Long-term debt, net of current portion	<u>\$ 2,086,924</u>

Maturities of long-term debt on December 31, 2024, are as follows:

	Principal	Interest	Total
2025	\$ 152,433	\$ 81,463	\$ 233,896
2026	106,161	76,900	183,061
2027	104,524	73,328	177,852
2028	104,821	67,801	172,622
2029	100,617	63,417	164,034
Thereafter	1,670,801	428,304	2,099,105
	<u>\$ 2,239,357</u>	<u>\$ 791,213</u>	<u>\$ 3,030,570</u>

Debt Service Reserve

On July 27, 2018, the District entered into a loan with First National Bank for \$2,500,000. The debt covenant with First National Bank requires the District to maintain a debt service fund and a debt service reserve fund. The debt service fund is required to maintain an amount equal to one monthly payment of \$12,858. The debt service reserve fund is required to maintain an amount equal to one year of payments of \$154,294. At December 31, 2024, the District has sufficiently reserved the required deposits.

NOTE 7: RETIREMENT PLAN

The District offers a defined contribution plan for all full time employees and contracts with a private company who maintains the account. The defined contribution plan, is a simple IRA and the benefits depend solely on amounts contributed to the plan plus investment earnings. The District matches an amount up to 3% of the employee's base salary. Employees are entitled only to the funds deposited by them and on their behalf; therefore, there is no unfunded liability. The District's contribution to the plan was \$9,768 for the thirteen month period ended December 31, 2024.

NOTE 8: RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District has purchased insurance to address these risks. There has been no significant reduction in the District's coverage during the thirteen month period ended December 31, 2024.

Western Greene County Regional Water District
Notes to the Financial Statements
December 31, 2024

NOTE 9: OPERATING LEASES

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued several ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The District elected to adopt these ASUs effective December 1, 2022 and utilized all of the available practical expedients.

The District leases a 2022 mini bobcat excavator. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion, long-term debt, operating leases, and operating leases, net of current portion in the District's balance sheet. ROU assets represent the District's right to use an underlying asset for the lease term, and lease liabilities represent the District's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The District uses the implicit rate when it is readily determinable. Since the District's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the District's incremental borrowing rate based on the information available at lease commencement.

Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The District's lease terms may include options to extend or terminate the lease when it is reasonably certain that the District will exercise the option.

As of December 31, 2024, operating lease right-of-use asset and corresponding lease liabilities of \$29,498 were recognized. Lease expense for operating leases totaled \$10,381 and is included in operating expenses.

The operating lease for the 2022 mini bobcat excavator is for 60 monthly payments of \$806.18 starting May 2023. The District has agreed to pay for all maintenance and insurance on leased equipment. These costs are not included in the measurement of lease assets and liabilities.

Future annual minimum lease payments under the operating leases are as follows:

Years Ending		
2024	\$	8,189
2025		8,673
2026		12,636
	\$	<u>29,498</u>

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2024, the date on which the financial statements were available to be issued.

NOTE 11: CHANGING FINANCIAL YEAR-END

The financial year end of the District was changed from November 30 to December 31 by management and the Board of Directors for the District. Accordingly, the current financial statements are prepared for thirteen months from December 1, 2023 through December 31, 2024.



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 Commission
Western Greene County Regional Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Western Greene County Regional Water District (the "District"), as of and for the thirteen month period ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2024-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an 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.

Thomas, Speight & Noble, CPAs

Jonesboro, Arkansas

February 21, 2025

**Western Greene County Regional Water District
Schedule of Findings and Questioned Costs
For the Thirteen Month Period Ended December 31, 2024**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weakness(es) identified?

x Yes No

Any significant deficiency(ies) identified?

 Yes x No

Any noncompliance material to financial statements noted?

 Yes x No

Section II - Financial Statement Findings

Finding: 2024-001

Material Weakness - Internal Control over Financial Reporting

Segregation of duties

Condition: Western Greene County Regional Water District does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the Western Greene County Regional Water District's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: Western Greene County Regional Water District's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.