

BENTON COUNTY WATER AUTHORITY #5
Rogers, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2024 and 2023
and
INDEPENDENT AUDITOR'S REPORT

BENTON COUNTY WATER AUTHORITY #5
Rogers, 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
Benton County Water Authority #5
Rogers, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the Benton County Water Authority #5 ("BCWA #5"), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, as listed on the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of BCWA #5 as of December 31, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BCWA #5, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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**Board of Directors
Benton County Water Authority #5**

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 BCWA #5's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about BCWA #5's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

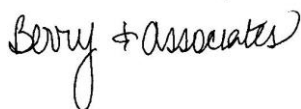
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCWA #5's basic financial statements. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Board of Directors
Benton County Water Authority #5**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2025 on our consideration of BCWA #5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCWA #5's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Berry & Associates".

Berry & Associates, P.A.
Little Rock, Arkansas
February 10, 2025

BENTON COUNTY WATER AUTHORITY #5
STATEMENTS OF NET POSITION
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 124,512	\$ 127,370
Accounts receivable	51,763	51,712
Total Current Assets	<u>176,275</u>	<u>179,082</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	367,221	297,095
Capital assets, net of accumulated depreciation	2,970,179	3,192,130
Total Non-Current Assets	<u>3,337,400</u>	<u>3,489,225</u>
TOTAL ASSETS	<u><u>\$ 3,513,675</u></u>	<u><u>\$ 3,668,307</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 235,000	\$ 232,000
Accounts payable	870	7,719
Sales tax payable	3,780	3,653
Accrued interest payable	2,865	3,110
Total Current Liabilities	<u>242,515</u>	<u>246,482</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current maturities	<u>2,498,916</u>	<u>2,733,922</u>
TOTAL LIABILITIES	<u>2,741,431</u>	<u>2,980,404</u>
NET POSITION		
Net investment in capital assets	236,263	226,208
Unrestricted	242,174	200,737
Temporarily restricted	293,807	260,958
Total Net Position	<u>772,244</u>	<u>687,903</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,513,675</u></u>	<u><u>\$ 3,668,307</u></u>

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

BENTON COUNTY WATER AUTHORITY #5
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Water revenue	\$ 656,976	\$ 608,841
Other income	<u>40,792</u>	<u>51,109</u>
Total operating revenues	<u>697,768</u>	<u>659,950</u>
OPERATING EXPENSES		
Water purchased	123,260	98,030
Operator expenses	161,922	154,794
Repairs and maintenance	44,280	23,137
Professional fees	7,620	6,150
Office expenses	8,150	6,627
Insurance	2,942	2,732
Rent expense	1,683	1,678
Depreciation expense	221,951	213,062
Other expenses	<u>13,114</u>	<u>29,001</u>
Total operating expenses	<u>584,922</u>	<u>535,211</u>
OPERATING INCOME	<u>112,846</u>	<u>124,739</u>
NON-OPERATING REVENUES (EXPENSES)		
Bad debt expense	(611)	-
Interest income	8,639	5,419
Interest expense	(36,533)	(42,111)
Grant income	<u>-</u>	<u>577,699</u>
Net non-operating income (expenses)	<u>(28,505)</u>	<u>541,007</u>
CHANGE IN NET POSITION	84,341	665,746
NET POSITION - BEGINNING OF YEAR	<u>687,903</u>	<u>22,157</u>
NET POSITION - END OF YEAR	<u><u>\$ 772,244</u></u>	<u><u>\$ 687,903</u></u>

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

BENTON COUNTY WATER AUTHORITY #5
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from members	\$ 697,717	\$ 657,921
Cash payments for supplies	<u>(370,304)</u>	<u>(323,175)</u>
Net cash provided by operating activities	<u>327,413</u>	<u>334,746</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(70,127)	(47,589)
Interest received	8,639	5,419
Fixed asset purchases	<u>-</u>	<u>(248,303)</u>
Net cash used by investing activities	<u>(61,488)</u>	<u>(290,473)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(232,006)	(661,112)
Interest payments on long-term debt	(36,777)	(42,569)
Proceeds from long-term debt	-	127,667
Grant proceeds	<u>-</u>	<u>577,699</u>
Net cash provided (used) by financing activities	<u>(268,783)</u>	<u>1,685</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,858)	45,958
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>127,370</u>	<u>81,412</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 124,512</u>	<u>\$ 127,370</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 112,846	\$ 124,739
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	221,951	213,062
Provision for bad debt expense	611	-
(Increase) Decrease in:		
Accounts receivable	(1,273)	(2,029)
Prepaid assets	-	4,159
Increase (Decrease) in:		
Accounts payable	(6,849)	4,268
Accounts payable - restricted	-	(9,503)
Sales tax payable	<u>127</u>	<u>50</u>
Total adjustments	<u>214,567</u>	<u>210,007</u>
Net cash provided by operating activities	<u>\$ 327,413</u>	<u>\$ 334,746</u>

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

BENTON COUNTY WATER AUTHORITY #5
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Rural Development Authority (RDA) of Benton County, Arkansas was created in accordance with Act 172 of the Acts of Arkansas of 1963, and pursuant to an order of the County Court of Washington County Arkansas in October 1991. The purpose is to acquire, construct, own and operate facilities for the development, storage, and utilization of water for agricultural, domestic, industrial, and community purposes on a mutual basis by residents of a rural area of Benton County that do not have access to adequate and proper supplies of water. Benton County Water Authority #5 ("BCWA #5") was organized as a product of the RDA in 2005. The purpose of Benton County Water Authority #5 is to act as an agent of the RDA, and has no rights other than those set forth by the RDA. It operates under the same rules and regulations as that of the parent organization.

Basis of Presentation and Accounting

The accounts of the BCWA #5 are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the BCWA #5's assets, liabilities, net position, revenues, and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the BCWA #5 is determined by its measurement focus. The transactions of the BCWA #5 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Estimates

Management of the BCWA #5 has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash and Cash Equivalents

The BCWA #5 considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The BCWA #5 defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

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

Software	3-5 years
Water system	5-40 years

Long-Term Debt and Costs

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

BENTON COUNTY WATER AUTHORITY #5
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the BCWA #5. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the BCWA #5's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

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 improvement of those assets.

Temporarily Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Leases

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

Date of Management's Review

Subsequent events have been evaluated through February 10, 2025, which is the date the financial statements were available to be issued.

Income Taxes

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

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, BCWA #5 adopts an annual budget. The budget of the BCWA #5 is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

Allowance for Doubtful Accounts

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

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

BENTON COUNTY WATER AUTHORITY #5
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - LONG-TERM DEBT:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Water and Sewer Revenue Bonds, payable to Arkansas Natural Resources Commission, \$30,561 due semi-annually, including interest at 1.0% (1)	\$ 689,275	\$ 743,100
Water and Sewer Revenue Bonds, payable to Arkansas Natural Resources Commission, \$26,944 due semi-annually, including interest at 1.0% (1)	413,329	462,713
Water and Sewer Revenue Bonds, payable to Arkansas Natural Resources Commission, \$64,489 due semi-annually, including interest at 1.0% (1)	1,455,074	1,568,649
Water and Sewer Revenue Bonds, payable to Arkansas Natural Resources Commission, \$24,795 due annually, including interest at 5.0% (2)	<u>176,238</u>	<u>191,460</u>
	2,733,916	2,965,922
Less Current Portion	<u>(235,000)</u>	<u>(232,000)</u>
Total Long-Term Portion	<u><u>\$ 2,498,916</u></u>	<u><u>\$ 2,733,922</u></u>

- (1) The loans have restrictive covenants including the requirements to begin accumulating a debt reserve in monthly installments of 5% of the gross revenue for the preceding month while the bond is outstanding.
- (2) The loans have no restrictive covenants.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 235,000	\$ 33,783	\$ 268,783
2026	238,000	30,783	268,783
2027	241,000	27,783	268,783
2028	244,700	24,083	268,783
2029	247,300	21,483	268,783
2030-2034	1,153,113	58,231	1,211,344
2035-2036	374,803	5,397	380,200
	<u><u>\$ 2,733,916</u></u>	<u><u>\$ 201,543</u></u>	<u><u>\$ 2,935,459</u></u>

BENTON COUNTY WATER AUTHORITY #5
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - LONG-TERM DEBT (Continued):

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

	Balance 1/1/2024	Additions	Retirements	Balance 12/31/2024	Due Within One Year
Revenue					
Bonds payable \$	2,965,922	\$ -	\$ (232,006)	\$ 2,733,916	\$ 235,000

	Balance 1/1/2023	Additions	Retirements	Balance 12/31/2023	Due Within One Year
Revenue					
Bonds payable \$	3,499,367	\$ 127,667	\$ (661,112)	\$ 2,965,922	\$ 232,000

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$2,733,916 in water revenue bonds. Proceeds from the bonds were used for building the BCWA #5's water system. Principal and interest on the bonds are payable through 2036, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2024 were \$232,006 and \$36,777 respectively. Principal and interest paid in the year ended December 31, 2023 were \$661,112 and \$42,569, respectively.

NOTE 3 –PUBLIC FUNDS: DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the BCWA #5's name. As of December 31, 2024, all deposited funds were adequately collateralized.

BENTON COUNTY WATER AUTHORITY #5
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2024 and 2023 is as follows:

	Balance 1/1/2024	Additions	Deletions/ Transfers	Balance 12/31/2024
Software	\$ 25,535	\$ -	\$ -	\$ 25,535
Water System	6,708,496	-	-	6,708,496
Total	6,734,031	-	-	6,734,031
Less: Accumulated Depreciation	(3,541,901)	(221,951)	-	(3,763,852)
Total Capital Assets	\$ 3,192,130	\$ (221,951)	\$ -	\$ 2,970,179

	Balance 1/1/2023	Additions	Deletions/ Transfers	Balance 12/31/2023
Software	\$ 25,535	\$ -	\$ -	\$ 25,535
Water System	6,321,842	386,654	-	6,708,496
Construction in Progress	138,351	-	(138,351)	-
Total	6,485,728	386,654	(138,351)	6,734,031
Less: Accumulated Depreciation	(3,328,839)	(213,062)	-	(3,541,901)
Total Capital Assets	\$ 3,156,889	\$ 173,592	\$ (138,351)	\$ 3,192,130

NOTE 5 – RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants, cash held in trust, and other restricted funds. The long-term debt covenants require minimum reserves for bond payments and a depreciation fund (see Note 2).

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

	2024	2023
Cash held in trust	\$ 13,988	\$ 10,206
Debt service reserve	236,954	197,727
Other restricted funds	116,279	89,162
	\$ 367,221	\$ 297,095

NOTE 6 – COMMITMENTS:

The Authority started a construction project to improve and extend water lines during the year ended December 31, 2021. The Authority entered into a contract with a construction contractor for the amount of \$696,565. At December 31, 2023, \$696,565 of costs were incurred. As of December 31, 2023, the Authority completed this project. All costs incurred for the contract with the construction contractor have been paid.



Berry & Associates
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**Members of the Board of Directors
Benton County Water Authority #5
Rogers, Arkansas**

**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***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Benton County Water Authority #5 ("BCWA #5"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Benton County Water Authority #5's financial statements and have issued our report thereon dated February 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BCWA #5's 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 the BCWA #5's internal control. Accordingly, we do not express an opinion on the effectiveness of the BCWA #5's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-01 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BCWA #5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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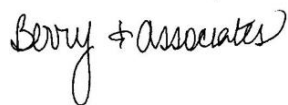
**To the Board of Directors of
Benton County Water Authority #5
Rogers, Arkansas**

BCWA #5's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the BCWA #5's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The BCWA #5's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Berry & Associates, P.A.
Little Rock, Arkansas
February 10, 2025

**BENTON COUNTY WATER AUTHORITY #5
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2024**

2024-01 Internal Control – Segregation of Duties

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

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

Cause: The BCWA #5's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

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

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

View of Responsible Officials: Benton County Water Authority #5 has attempted to segregate duties, but due to the limited number of personnel, effective segregation of duties is not possible.

BENTON COUNTY WATER AUTHORITY #5
SUPPLEMENTARY INFORMATION
December 31, 2024

GOVERNMENT:

The Benton County Water Authority #5 is governed by a board of directors. The records are maintained by management.

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

WATER RATES:

As of December 31, 2024, water service was provided to 733 customers. The rate schedules in effect during 2024 are as follows:

	<u>1/1/2024 - 12/31/2024</u>
First 1,000 gallons	\$ 55.59 (minimum charge)
Next 4,000 gallons	\$ 8.72 per 1,000 gallons
All over 5,000 gallons	\$ 8.22 per 1,000 gallons

Total gallons of water consumed during the year ended December 31, 2024 amounted to 24,722,750.

ACCOUNTING:

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

Reserve accounts are being properly maintained.

INSURANCE SCHEDULE:

<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	
EMC Insurance Company	General Liability	\$ 2,000,000
EMC Insurance Company	Property	\$ 176,921
EMC Insurance Company	Linebacker	\$ 1,000,000

BENTON COUNTY WATER AUTHORITY #5
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Water revenue	\$ 663,657	\$ 663,657	\$ 656,976	\$ (6,681)
Other income	-	-	40,792	40,792
Total operating revenues	663,657	663,657	697,768	34,111
OPERATING EXPENSES				
Water purchased	99,000	99,000	123,260	(24,260)
Operator expenses	66,220	66,220	161,922	(95,702)
Repairs and maintenance	92,000	92,000	44,280	47,720
Professional fees	6,500	6,500	7,620	(1,120)
Office expenses	-	-	8,150	(8,150)
Insurance	-	-	2,942	(2,942)
Rent expense	1,700	1,700	1,683	17
Depreciation expense	208,500	208,500	221,951	(13,451)
Other expenses	99,518	99,518	13,114	86,404
Total operating expenses	573,438	573,438	584,922	(11,484)
OPERATING INCOME	90,219	90,219	112,846	22,627
NONOPERATING REVENUE (EXPENSES)				
Bad debt expense	(500)	(500)	(611)	(111)
Interest income	5,500	5,500	8,639	3,139
Interest expense	(37,000)	(37,000)	(36,533)	467
Net nonoperating revenues (expenses)	(32,000)	(32,000)	(28,505)	3,495
CHANGE IN NET POSITION	\$ 58,219	\$ 58,219	\$ 84,341	\$ 26,122