

**LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS**

Financial Statements

Years Ended December 31, 2024 and 2023



ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

Lonoke/White Public Water Authority
of the State of Arkansas
Quitman, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Lonoke/White 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 Lonoke/White 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 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 Lonoke/White 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 Lonoke/White Public Water Authority of the State of Arkansas'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 Lonoke/White Public Water Authority of the State of Arkansas'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 Lonoke/White Public Water Authority of the State of Arkansas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal

control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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 May 30, 2025, on our consideration of Lonoke/White Public Water Authority of the State of Arkansas'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 Lonoke/White Public Water Authority of the State of Arkansas'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 Lonoke/White Public Water Authority of the State of Arkansas's internal control over financial reporting and compliance.

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas
May 30, 2025

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
230 Pearce Road
Quitman, AR 72131

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

Introduction

Lonoke/White Public Water Authority of the State of Arkansas ("LWPWA") was formed to develop and operate a wholesale water distribution system in portions of the Arkansas counties of Cleburne, Faulkner, Lonoke, Pulaski and White. 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 \$4,951,307, an increase of \$189,535 or 3.98% compared to 2023. Operating revenues for 2023 were \$4,761,772, a decrease of \$106,926 or 2.20% compared to 2022. Operations resulted in an increase in net position of \$2,181,665 in 2024 and \$2,118,854 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, LWPWA had a net position of \$10,425,996, an increase of \$1,193,605 compared to 2023 net position of \$9,232,391. The 2023 net position increased \$944,372 compared to the 2022 net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lonoke/White 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 LWPWA is comprised of a single enterprise fund, no fund level financial statements are shown.

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

The statement of net position presents information on all of LWPWA'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 LWPWA 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 LWPWA, assets exceeded liabilities by \$10,425,996 at the close of 2024. This represents an increase of \$1,193,605 from the net position of 2023. Assets exceeded liabilities by \$9,232,391 at the close of 2023. This represents an increase of \$944,373 from the net position of 2022.

A portion of LWPWA net position reflects its investment in land and easements, engineering costs, construction of the intake and distribution system, work in progress, and office furniture and equipment, less the related outstanding capital debt which provided the funds to acquire those assets. LWPWA 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 LWPWA'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	\$ 5,899,087	\$ 5,154,576	\$ 4,573,401
Capital Assets	48,192,473	48,395,270	49,508,951
Other Assets	2,085,029	1,889,106	1,693,542
Deferred Outflow of Resources	126,950	131,512	136,073
Total Assets	<u>\$ 56,303,539</u>	<u>\$ 55,570,464</u>	<u>\$ 55,911,967</u>
Liabilities			
Current Liabilities	\$ 1,472,909	\$ 1,435,727	\$ 1,493,631
Long-Term Liabilities	44,404,634	44,902,346	46,130,318
Total Liabilities	<u>\$ 45,877,543</u>	<u>\$ 46,338,073</u>	<u>\$ 47,623,949</u>
Net Position			
Invested in Capital Assets-Net of Related Debt	\$ 2,604,640	\$ 2,328,688	\$ 1,047,740
Restricted Net Position	2,086,127	1,913,122	1,690,627
Unrestricted Net Position	5,735,229	4,990,581	5,549,651
Total Net Position	<u>\$ 10,425,996</u>	<u>\$ 9,232,391</u>	<u>\$ 8,288,018</u>

A condensed summary of LWPWA'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	\$ 4,951,307	\$ 4,761,772	\$ 4,868,698
Operating Expenses	2,769,642	2,642,918	2,618,642
Income (Loss) from Operations	<u>\$ 2,181,665</u>	<u>\$ 2,118,854</u>	<u>\$ 2,250,056</u>
Nonoperating Revenues (Expenses)			
Gas Lease Revenue	\$ 1,164	\$ 2,138	\$ 5,667
Interest Income	316,365	236,906	73,226
Gain/loss Sale of Asset	8,500	-	-
Interest Expense	(1,349,724)	(1,385,595)	(1,420,412)
Unrelaized Gain/ Loss	35,635	(27,930)	-
	<u>\$ (988,060)</u>	<u>\$ (1,174,481)</u>	<u>\$ (1,341,519)</u>
Increase (Decrease) in Net Position	\$ 1,193,605	\$ 944,373	\$ 908,537
Net Position, Beginning of Year	<u>9,232,391</u>	<u>8,288,018</u>	<u>7,379,481</u>
Net Position, End of Year	<u>\$ 10,425,996</u>	<u>\$ 9,232,391</u>	<u>\$ 8,288,018</u>

Cash Flows - Net cash provided by operating activities for 2024 and 2023 were \$3,444,919 and \$3,189,015, respectively. Net cash used by capital and related financing activities for 2024 and 2023 were \$2,822,912 and \$2,686,624 respectively, while net cash used by investing activities for 2024 and 2023 were \$609,389 and \$3,471,256 respectively.

Significant Events - The most significant event for LWPWA during the 2024 calendar year was the completion of the Settlement Agreement between LWPWA and Community Water System. This finalization of the terms of the 2007 settlement of a lawsuit between the parties was negotiated by each of them and amicable in its conclusion. Due to this culmination, LWPWA has sole possession and control over its treatment plant, intake site and all applicable permits. This happening is beneficial for LWPWA as it continues to grow and mature as a water supplier.

Intake easement/permit transfer agreement was finalized between LWPWA and USACE. Due to increases in transmission system demand a hydraulic model study was started. In 2024 DN Tank started construction on a new 6 MG water storage tank at the intersection of Hwy 107 and Hwy 124, this will increase the storage time during high water demand.

Capital Asset and Debt Administration

Capital Assets - LWPWA's investment in capital assets amounted to \$48,192,473 as of December 31, 2024. This was a decrease of \$202,797 compared to 2023. LWPWA's investment in capital assets amounted to \$48,395,270 of December 31, 2023, a decrease of \$1,113,681 compared to 2022.

Capital Debt - During 2012, water revenue bonds were issued in the amount of \$30,900,000 to Arkansas Natural Resources Commission and water revenue bonds totaling \$24,543,000 were issued to USDA/Rural Development to construct the original water collection, treatment and distribution facilities and pay off existing debt. During 2019 water revenue refunding bonds were issued in the amount of \$22,505,000 to pay off existing revenue bonds to USDA/Rural Development. During 2024, a water revenue bond was issued in the amount of \$12,970,441 to Arkansas Natural Resources Commission. At year end \$767,581 of bond proceeds had been received.

Requests for Information

This financial report is designed to provide a general overview of Lonoke/White 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. David Liles, Manager, Lonoke/White Public Water Authority, P.O. Box 247 , Quitman, AR 72131.

LONOKE/WHITE 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	\$ 777,498	\$ 895,602
Certificates of Deposit Maturing After Three Months	4,515,208	3,605,419
Accounts Receivable	225,283	264,438
Accrued Interest Receivable	12,775	25,336
Inventory	332,965	332,965
Prepaid Expenses	35,358	30,816
	\$ 5,899,087	\$ 5,154,576
<u>Capital Assets</u>		
Office Furniture and Equipment	\$ 39,325	\$ 36,745
Intake and Distribution System	54,902,130	54,902,130
Lab Equipment	53,770	28,620
Tools and Equipment	131,844	87,626
Vehicles	176,282	163,073
Construction Period Interest	2,545,280	2,540,194
Less: Accumulated Depreciation	(12,244,563)	(11,065,549)
	\$ 45,604,068	\$ 46,692,839
Land and Easements	1,405,055	1,289,567
Water Storage/Use Rights	366,623	366,623
Work in Progress	816,727	46,241
	\$ 48,192,473	\$ 48,395,270
<u>Noncurrent Assets</u>		
Restricted Cash	\$ 484,810	\$ 354,088
Restricted Certificates of Deposit	1,597,562	1,532,236
ROU Asset	2,127	2,252
Security Deposits	530	530
	\$ 2,085,029	\$ 1,889,106
<u>Deferred Outflow of Resources</u>		
Bond Insurance Costs (Net)	\$ 126,950	\$ 131,512
Total Assets	\$ 56,303,539	\$ 55,570,464

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2024 and 2023

LIABILITIES

Current Liabilities

Accounts Payable	\$ 32,714	\$ 28,729
Payroll Taxes Payable	2,497	190
Accrued Wages Payable	2,381	5,749
Accrued Compensated Absences	41,515	40,813
Accrued Interest Payable	110,430	113,477
Retirement Plan Payable	1,526	2,247
Other Liabilities/Lease Liability	121	126
Bonds and Notes Payable Due within One Year	1,281,725	1,244,396
	<u>\$ 1,472,909</u>	<u>\$ 1,435,727</u>

Long-Term Liabilities

Bond Payable-ANRC	\$ 24,545,800	\$ 25,310,196
Bond Payable-Series 2019, net of unamortized premium	20,290,972	20,774,420
Bonds Payable-USDA RLF2024	767,581	-
Lease Liability- Long-term	2,006	2,126
Less: Amount Due within One Year	(1,281,725)	(1,244,396)
	<u>\$ 44,324,634</u>	<u>\$ 44,842,346</u>
Accrued Sludge Disposal Expense	80,000	60,000
	<u>\$ 44,404,634</u>	<u>\$ 44,902,346</u>
Total Liabilities	<u>\$ 45,877,543</u>	<u>\$ 46,338,073</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	\$ 2,604,640	\$ 2,328,688
Restricted	2,086,127	1,913,122
Unrestricted	5,735,229	4,990,581
	<u>\$ 10,425,996</u>	<u>\$ 9,232,391</u>

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE 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	\$ 2,474,764	\$ 2,403,441
Member Participation Fees	2,356,020	2,356,020
Miscellaneous Revenues	120,523	2,311
	<u>\$ 4,951,307</u>	<u>\$ 4,761,772</u>
<u>Operating Expenses</u>		
Salaries and Wages	\$ 306,196	\$ 288,865
Payroll Taxes	24,880	23,769
Accounting and Auditing	11,506	11,500
Bond Insurance Expense	4,561	4,561
Bond Trustee Fees	2,600	2,600
Chemicals	297,995	280,811
Depreciation	1,205,735	1,200,152
Dues and Subscriptions	7,249	8,336
Education and Training	8,251	7,789
Employee Benefits	40,697	38,944
Employee Retirement Plan Expense	2,874	9,029
Equipment Rent	1,414	958
Finished Water Pumping	136,856	144,685
Insurance	94,780	81,870
Lab Supplies	12,947	15,669
Legal Fees	8,341	12,880
Licenses and Taxes	138	73
Line Locates	9,285	14,644
Meals and Entertainment	483	-
Meeting Expense	2,150	2,247
Meter Stations and Plant Communication	5,798	15,462
Office Supplies	10,870	9,144
Postage and Delivery	1,075	918
Professional Fees	4,081	8,723
Raw Water Pumping	242,685	253,877
Repairs and Maintenance	278,423	163,956
Telephone	16,777	10,760
Utilities	14,199	14,965
Vehicle Expense	16,796	15,731
	<u>\$ 2,769,642</u>	<u>\$ 2,642,918</u>
<u>Income from Operations (Forward)</u>	<u>\$ 2,181,665</u>	<u>\$ 2,118,854</u>

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE 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>Income from Operations (Forwarded)</u>	\$ 2,181,665	\$ 2,118,854
<u>Nonoperating Revenues and Expenses</u>		
Gas Lease Revenue	\$ 1,164	\$ 2,138
Gain on Sale of Assets	8,500	-
Interest Income	316,364	236,906
Interest Expense	(1,349,724)	(1,385,595)
Unrealized Gain/Loss on Investments	35,636	(27,930)
	<u>\$ (988,060)</u>	<u>\$ (1,174,481)</u>
<u>Increase in Net Position</u>	\$ 1,193,605	\$ 944,373
Net Position, Beginning of Year	<u>9,232,391</u>	<u>8,288,018</u>
<u>Net Position, End of Year</u>	<u>\$ 10,425,996</u>	<u>\$ 9,232,391</u>

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE 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-Water Sales and Fees	\$ 4,990,462	\$ 4,706,720
Payments to Suppliers	(1,236,681)	(1,237,830)
Payments to Employees	(308,862)	(279,875)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 3,444,919</u>	<u>\$ 3,189,015</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Bonds and Notes Payable	\$ (480,263)	\$ (1,216,150)
Bond Issue Costs	4,562	4,561
Acquisition and Construction of Capital Assets	(1,002,940)	(86,470)
Proceeds from Sale of Assets	8,500	0
Interest and Fees Paid on Debt	(1,352,771)	(1,388,565)
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>\$ (2,822,912)</u>	<u>\$ (2,686,624)</u>
<u>Cash Flows from Investing Activities</u>		
(Increase) Decrease in Certificates of Deposit	\$ (975,115)	\$ (3,663,325)
Gas Lease Income Received	1,164	2,138
Interest Income	328,926	217,861
Unrealized Gain/ Loss	35,636	(27,930)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>\$ (609,389)</u>	<u>\$ (3,471,256)</u>
<u>Net Increase in Cash, Cash Equivalents and Restricted Cash</u>	<u>\$ 12,618</u>	<u>\$ (2,968,865)</u>
<u>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</u>	<u>1,249,690</u>	<u>4,218,555</u>
<u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>	<u>\$ 1,262,308</u>	<u>\$ 1,249,690</u>
<u>Reconciliation to Statement of Net Position</u>		
Cash and Cash Equivalents	\$ 777,498	\$ 895,602
Restricted Cash Included in Noncurrent Assets	484,810	354,088
<u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>	<u>\$ 1,262,308</u>	<u>\$ 1,249,690</u>

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE 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>Reconciliation of Income (Loss) from Operations</u> <u>to Net Cash Provided (Used) by Operating Activities</u>		
<u>Income (Loss) from Operations</u>	\$ 2,181,665	\$ 2,118,854
<u>Adjustments to Reconcile Income (Loss) from Operations</u> <u>to Net Cash Provided (Used) by Operating Activities</u>		
Depreciation	\$ 1,205,735	\$ 1,200,152
(Increase) Decrease in:		
Accounts Receivable	39,155	(55,052)
Inventory	0	(6,214)
Prepaid Expenses	(4,542)	(2,099)
Increase (Decrease) in:		
Accounts Payable	3,985	(92,918)
Accrued Compensation	(2,666)	6,200
Payroll Taxes Payable	2,307	(1,230)
Sludge Disposal Payable	20,000	20,000
Retirement Plan Payable	(720)	1,322
Total Adjustments	<u>\$ 1,263,254</u>	<u>\$ 1,070,161</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 3,444,919</u>	<u>\$ 3,189,015</u>

Non-Cash Transactions

There were no non-cash transactions required to be disclosed in connection with the statement of cash flows.

See Independent Auditor's Report & Notes to Financial Statements

LONOKE/WHITE 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

In accordance with the provisions of Arkansas Code Annotated Sec. 4-35-101, et seq., the Arkansas Natural Resources Commission granted a certificate of existence creating Lonoke/White Public Water Authority of the State of Arkansas ("LWPWA") on October 10, 2005. LWPWA is a body politic and corporate and political subdivision of the State of Arkansas. Articles of Incorporation were filed on October 25, 2005.

The purpose of LWPWA is to facilitate a cooperative effort to obtain a dependable long-term water source and to construct and operate a wholesale water distribution system, selling potable water to public water systems located within the service area extending south from Cleburne County into portions of Cleburne, Faulkner, Lonoke, Pulaski and White Counties.

(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.

(3) Basis of Accounting

The Public Water Authority's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, rather than when 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 with Financial Institutions

Cash deposits and investments of the Public Water Authority are restricted by Arkansas law to investments in obligations of the United States government and deposits with financial institutions located within the State of Arkansas.

(6) Inventory

Inventory consists of materials used 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.

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
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(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 and transportation equipment are 5-10 years, for equipment 7-10 years, and for the intake and distribution system 20-50 years.

(8) Capitalization of Construction Period Interest

Interest incurred to construct the water distribution system totaling \$2,545,280 has been capitalized as construction period interest and is being amortized over 50 years using the straight-line method.

(9) Compensated Absences

Liabilities for compensated balances for sick leave benefits and vacation benefits have been accrued in the period in which they were earned by the employee. Regular full-time employees accumulate 1 day per month of sick leave benefits with up to 480 hours eligible to be carried forward to the following calendar year. Regular full-time employees are eligible for paid vacation accrued at a rate according to the formula below:

<u>Number of years service</u>	<u>Accrued vacation per year</u>	<u>Annual maximum carryover</u>	<u>Maximum consecutive hours allowed</u>
1-5	80 hours	60 hours	40 hours
5-7	120 hours	80 hours	60 hours
7-15	160 hours	80 hours	80 hours
15+	200 hours	100 hours	100 hours

Provided employee has taken at least 40 hours of annual leave, employee has the option of being paid for any annual leave hours that he/she cannot carryover.

(10) 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.

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

Note B - Cash

The Public Water Authority currently utilizes the services of two financial institutions. Total cash deposits with any one financial institution not exceeding \$250,000 are insured by the F.D.I.C. LWPWA has entered into collateral security agreements with the financial institutions to secure amounts in excess of F.D.I.C. coverage. At December 31, 2024, \$380,305 in deposits with Centennial Bank and \$218,565 in deposits with First Arkansas Bank & Trust exceeded the F.D.I.C. limits while \$284,951 in deposits with Centennial Bank and \$320,053 in deposits with First Arkansas Bank exceeded the F.D.I.C. limits at December 31, 2023. These amounts were fully collateralized by securities held by First National Bankers Bank and First Horizon respectively.

Note C - Restricted Assets

Restricted assets include the following accounts as required under the terms of the bonds outstanding:

	2024	2023
Bond Fund	\$ 279,892	\$ 259,188
RLF 2024 Project Fund	765	-
Depreciation Reserves	1,801,715	1,627,136
	\$ 2,082,372	\$ 1,886,324

Each month, one-sixth of the semi-annual payment due to Arkansas Natural Resources Commission is deposited into the Bond Fund and 3% of water sales and participation fees are deposited into the Depreciation Reserve account. Additionally each month, one-sixth of the semi-annual interest payment and one-twelfth of the annual principal installment due on the Water Refunding Revenue Bonds, Series 2019 is deposited into the Bond Fund. The 2019 Bond Indenture allows for the purchase a debt service reserve insurance policy in lieu of depositing moneys into a debt service reserve fund. The PWA holds an insurance policy that sufficiently meets the requirements of the 2019 bond Indenture.

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

Note D - Land and Easements

Certain members of LWPWA entered into wholesale water purchase contracts with Community Water System Public Water Authority of the State of Arkansas ("CWS") whereby facilities would be developed by CWS to treat and transmit water for sale to water distribution entities south of Greers Ferry Lake. However, the contracts were terminated by a subsequent agreement on November 21, 2006, and in accordance with the subsequent agreement certain land and easements acquired by CWS for this project were transferred May 4, 2007, to LWPWA for the sum of \$750,000.

The subsequent agreement required that the intake site located at the Cove Creek area of Cleburne County be transferred to LWPWA and CWS with each party holding an undivided one-half interest in such property as tenants in common. The joint ownership of the intake site is subject to certain conditions including the condition that each party must issue a notice to proceed with the construction of the intake facility on the intake site on or before December 31, 2018. If either party fails to timely issue the notice to proceed that party will be obligated to transfer all of its ownership interest in the intake site to the other party. Other than the legal costs of the transferring documents and filing fees the party receiving the interest shall not be obligated to pay the party releasing their interest.

The subsequent agreement also requires that the remaining portion of the 248 acre intake and treatment facilities site be split into approximately two equal tracts with LWPWA and CWS each holding separate ownership of the tracts assigned to them. However, if one party fails to issue a notice to proceed with construction of the treatment plant or plants on or before December 31, 2018, then the other party has the option to purchase the other tract at fair market value.

Board Resolution R2013-01 extended the conditional date of December 31, 2018 by five years in exchange for the easements to Mt. Vernon/Enola, to include pipeline easements, meter station site and the transfer of any monies on deposit with the Courts on any remaining easements.

The settlement Agreement was completed between LWPWA and CWS. This finalization of the terms of the 2007 settlement of a lawsuit between the parties was negotiated by each of them and amicable in its conclusion. Due to this culmination, LWPWA has sole possession and control over its treatment plant, intake site and all applicable permits.

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
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December 31, 2024 and 2023

Note E - Capital Assets

Capital assets as of December 31, 2024 and 2023 are summarized as follows:

	2024			
	Beginning of Year	Acquisitions	Dispositions	End of Year
Property and Equipment (Depreciable):				
Intake and Distribution System	\$ 54,902,130	\$ -	-	\$ 54,902,130
Lab Equipment	28,620	25,150	-	53,770
Tools and Equipment	87,626	44,218	-	131,844
Vehicles	163,073	39,931	(26,722)	176,282
Office Furniture and Equipment	36,745	2,580	-	39,325
Construction Period Interest	2,540,194	5,086	-	2,545,280
	<u>\$ 57,758,388</u>	<u>\$ 116,965</u>	<u>\$ (26,722)</u>	<u>\$ 57,848,631</u>
Less: Accumulated Depreciation	<u>(11,065,549)</u>	<u>(1,205,736)</u>	<u>26,722</u>	<u>(12,244,563)</u>
	<u>\$ 46,692,839</u>	<u>\$ (1,088,771)</u>	<u>\$ -</u>	<u>\$ 45,604,068</u>
Property and Equipment (Non-Depreciable):				
Land and Easements	1,289,567	115,488	-	1,405,055
Water Storage/Use Rights	366,623	-	-	366,623
Construction in Progress	46,241	770,486	-	816,727
	<u>\$ 48,395,270</u>	<u>\$ (202,797)</u>	<u>\$ -</u>	<u>\$ 48,192,473</u>

LONOKE/WHITE PUBLIC WATER AUTHORITY
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	2023			
	Beginning of Year	Acquisitions	Dispositions	End of Year
Property and Equipment (Depreciable):				
Intake and Distribution System	\$ 54,767,711	\$ 134,419	-	\$ 54,902,130
Lab Equipment	28,620	-	-	28,620
Tools and Equipment	70,157	17,469	-	87,626
Vehicles	122,260	40,813	-	163,073
Office Furniture and Equipment	32,445	4,300	-	36,745
Construction Period Interest	2,540,194	-	-	2,540,194
	\$ 57,561,387	\$ 197,001	-	\$ 57,758,388
Less: Accumulated Depreciation	(9,865,397)	(1,200,152)	-	(11,065,549)
	\$ 47,695,990	\$ (1,003,151)	-	\$ 46,692,839
Property and Equipment (Non-Depreciable):				
Land and Easements	1,258,041	31,526	-	1,289,567
Water Storage/Use Rights	366,623	-	-	366,623
Construction in Progress	188,297	-	(142,056)	46,241
	\$ 49,508,951	\$ (971,625)	\$ (142,056)	\$ 48,395,270

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
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December 31, 2024 and 2023

Note F - Bonds and Notes Payable

On October 31, 2019, LWPWA issued the Water Refunding Revenue Bonds, Series 2019 in the amount of \$22,618,787 (principal amount plus original issue premium). The bond was issued to pay off bonds previously issued and payable to USDA/Rural Development. Principal amounts outstanding for the bond for the years ended December 31, 2024 and 2023 were \$20,195,000 and \$20,675,000, respectively. Unamortized bond premium added to the face value of the bond for the years ended December 31, 2024 and 2023 was \$95,972 and \$99,420, respectively. Principal payment on the bond is due annually on December 1. For the years ending December 31, 2024 and 2023, \$480,000 and \$470,000 was paid toward principal. The bonds bear interest at a variable annual interest rate no greater than 4.00% with interest payable on July 1 and December 1 each year. The bonds are scheduled for repayment over a period of 33 years maturing December 1, 2051. A maturity schedule of the Series 2019 Bond is presented below.

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2025	1,108,325	495,000	613,325
2026	1,108,475	510,000	598,475
2027	1,108,175	525,000	583,175
2028	1,107,425	540,000	567,425
2029	1,111,225	560,000	551,225
2030-2034	5,544,525	3,050,000	2,494,525
2035-2039	5,543,975	3,535,000	2,008,975
2040-2044	5,550,275	4,105,000	1,445,275
2045-2049	5,539,975	4,755,000	784,975
2050-2051	2,219,844	2,120,000	99,844
	<u>\$ 29,942,219</u>	<u>\$ 20,195,000</u>	<u>\$ 9,747,219</u>

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
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December 31, 2024 and 2023

On August 13, 2012, LWPWA issued a bond payable to Arkansas Natural Resources Commission in the amount of \$30,900,000 at an interest rate of 3.5% annually. LWPWA entered into a Bond Swap agreement effective December 1, 2020 lowering the interest rate to 2.9% annually. Principal amounts outstanding on the bond for the years ending December 31, 2024 and 2023 were \$24,545,800 and \$25,310,196, respectively. The bond is subject to mandatory sinking fund redemption on June 1, 2015, and on December 1 and June 1 thereafter to and including December 1, 2046, with the maturity date being June 1, 2047. For the years ending December 31, 2024 and 2023, \$764,396 and \$742,702 of principal was retired, respectfully. Interest only payments were due on June 1 and December 1 beginning December 1, 2012 and ending December 1, 2014. Thereafter, interest is due on each principal payment date. A maturity schedule of the bonds payable to Arkansas Natural Resources Commission is presented below.

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2025	1,492,890	786,725	706,165
2026	1,492,890	809,705	683,185
2027	1,492,890	833,356	659,534
2028	1,492,890	857,699	635,191
2029	1,492,890	882,752	610,138
2030-2034	7,464,450	4,815,943	2,648,507
2035-2039	7,464,450	5,561,648	1,902,802
2040-2044	7,464,450	6,422,768	1,041,682
2045-2047	3,732,219	3,575,204	157,015
	<u>\$ 33,590,019</u>	<u>\$ 24,545,800</u>	<u>\$ 9,044,219</u>

LONOKE/WHITE PUBLIC WATER AUTHORITY
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On March 2, 2024, LWPWA issued a bond payable to Arkansas Natural Resources Commission for a maximum amount of \$12,970,441 to be drawn down as construction proceeds. Principal amounts outstanding on the bond for the years ending December 31, 2024 and 2023 were \$767,581 and \$0, respectively. The bonds bear interest at an interest rate of .75% and a service fee of 1.00% that are capitalized each month until February 1, 2027. The bonds are scheduled for repayment starting on March 1, 2027.

Changes in long-term debt 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
ANRC Bonds	\$ 25,310,196	\$ -	\$ 764,396	\$ 24,545,800	\$ 786,725	\$ 23,759,075
ANRC Bond	-	767,581	-	767,581	-	767,581
Revenue Bonds	20,675,000	-	480,000	20,195,000	495,000	19,700,000
Bonds and Notes Payable, Gross	\$ 45,985,196	\$ 767,581	\$ 1,244,396	\$ 45,508,381	\$ 1,281,725	\$ 44,226,656
Plus Premiums	99,420	-	3,448	95,972	-	95,972
Total Bonds and Notes Payable	\$ 46,084,616	\$ 767,581	\$ 1,247,844	\$ 45,604,353	\$ 1,281,725	\$ 44,322,628

	Balance 12/31/22	Increases	Decreases	Balance 12/31/23	Due Within One Year	Due in Excess of One Year
ANRC Bonds	\$ 26,052,898	\$ -	\$ 742,702	\$ 25,310,196	\$ 764,396	\$ 24,545,800
Revenue Bonds	21,145,000	-	470,000	20,675,000	480,000	20,195,000
Bonds and Notes Payable, Gross	\$ 47,197,898	\$ -	\$ 1,212,702	\$ 45,985,196	\$ 1,244,396	\$ 44,740,800
Plus Premiums	102,868	-	3,448	99,420	-	99,420
Total Bonds and Notes Payable	\$ 47,300,766	\$ -	\$ 1,216,150	\$ 46,084,616	\$ 1,244,396	\$ 44,840,220

Note G - Other Liabilities

Over time sludge builds up in the retainage pond. Management has estimated that this sludge will have to be removed every five years at a cost of \$100,000. Management has elected to accrue this expense over the five year period at \$20,000 per year.

LONOKE/WHITE PUBLIC WATER AUTHORITY
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Note H - Operating Leases

LWPWA entered into lease agreements with Furlow Public Water Authority and Grand Prairie Bayou Two Public Water Authority on June 12, 2012, for lease of land to construct functioning water transfer and meter stations. The leases are for a forty-year period beginning January 1, 2013 and ending January 1, 2053. Where the implicit interest rate of the lessor was unknown, LWPWA elected to use the national average borrowing rate of 3.66% for the year the leases began. The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2024.

Operating lease right-of-use assets	\$	2,127
Current portion of operating lease liabilities	\$	121
Operating lease liabilities, less current portion		2,006
Total operating lease liabilities	\$	2,127

The lease expense totaled \$200 for the year ended December 31, 2024 and is included in the following expense line item: dues, permits, and subscriptions. The maturities of the operating lease liabilities are as follows:

Total remaining lease payments (present-2053)	\$	5,400
Less: interest		3,273
Present value of lease liabilities	\$	2,127

Note I - Change in Compensated Absences Liability

Changes in compensated absences for the years ended December 31, 2024 and 2023 were as follows:

	<u>Balance</u> <u>12/31/23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/24</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 40,813	702*	-	\$ 41,515	\$ 41,515
	<u>Balance</u> <u>12/31/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 35,637	5,176*	-	\$ 40,813	\$ 40,813

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

LONOKE/WHITE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
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Note J - Membership and Participation Fees from Members

Entities entitled to membership shall be those water distribution entities which are located in the service area of LWPWA. Membership may be attained by the payment of a membership fee based upon an assessment of \$1.00 per active water meter of any such entity so situated at the time such entity becomes a member. There shall be no additional \$1.00 per meter fee after an entity becomes a member. Membership shall be subject to the approval of the board of directors.

On May 8, 2012, the Board of Directors approved an increase in the assessment of member participation fees from \$0.50 per contracted meter per month to \$2.50 per contracted meter per month to cover interest payments to Arkansas Natural Resources Commission. The increase went into effect on August 1, 2012.

On November 6, 2012, the Board of Directors approved an increase in the assessment of member participation fees from \$2.50 per contracted meter per month to \$3.00 per contracted meter per month. The increase went into effect on January 1, 2013.

Effective April 1, 2014, the assessment of member participation fees increased from \$3.00 per contracted meter per month to \$5.00 per contracted meter per month.

Note K - Water Purchase Contracts

Each of the eight participating members signed a water purchase contract to purchase water at a rate of \$1.25 per 1,000 gallons. The minimum monthly water purchase for each participating member is as follows:

	<u>Gallons</u>
Austin Water	4,866,667
Beebe Water and Sewer Commission	4,380,000
Furlow Public Water Authority	3,345,833
Grand Prairie/Bayou Two PWA	7,604,167
Jacksonville Water	15,360,417
Mid-Arkansas Utilities PWA	22,812,500
Vilonia Waterworks Association	30,416,667
Ward Water and Sewer System	19,770,833

A water purchase contract was entered into with Mountain Top Public Water Authority on May 22, 2014, whereas Mountain Top Public Water Authority agreed to purchase a minimum of 0.2 million gallons of water per day with a maximum of 0.3 million gallons of water per day at a rate of \$3.35 per 1,000 gallons, and to contribute \$100,000 in 2015 and \$100,000 in 2016 in aid of construction improvements. Water sales to Mountain Top Public Water Authority began in April, 2015, upon the completion of construction of the needed improvements to supply the water.

LONOKE/WHITE PUBLIC WATER AUTHORITY
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Note L - Risk Management

Insurance policies have been purchased for various risks of loss related to loss of data, wrongful acts, theft or damage to assets, injuries to employees and errors or omissions. Upon substantial completion of the construction project, insurance policies were changed to include the intake and distribution system.

Note M - Retirement Plan

The Public Water Authority participates in Lonoke White PWA Retirement 401a, the Plan, a defined contribution plan, administered by Security Benefit. The Plan was approved by the board of directors in May, 2015.

Full time employees age 21 or over who have completed six months of service are eligible to participate in the Plan on the first day of the month coinciding with the date eligibility requirements are met. Participants in the Plan are 100% vested after 6 years of service, death, or total and permanent disability. The PWA will make matching contributions equal to 100% of the Participant's elective deferrals that do not exceed 4% of a Participant's W-2 compensation.

LWPWA recognized \$2,874 and \$9,029 in retirement plan expenses in the years ending December 31, 2024 and 2023, respectively. Forfeitures of contributions may be used to reduce employer contributions. Forfeitures reduced retirement plan expenses by \$7,803 and \$1,011 for the years ending December 31, 2024 and 2023, respectively.

Note N - Concentrations of Risk

While construction of the intake and distribution system have been completed, the management of LWPWA must adequately implement the operational plan of selling wholesale water to its member water distribution systems.

Note O - Date of Management's Review

Subsequent events have been evaluated through May 30, 2025, which is the date the financial statements were available to be issued.



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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
Lonoke/White Public Water Authority of the State of Arkansas
Quitman, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lonoke/White 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 Lonoke/White Public Water Authority of the State of Arkansas' basic financial statements, and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lonoke/White 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
May 30, 2025