

# Beaver Water District of Washington and Benton Counties

Independent Auditors' Report

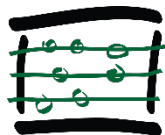
with

Financial Statements

and

Supplemental Information

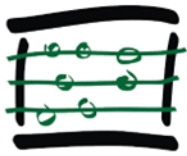
For the Years Ended September 30, 2024 and 2023



Abacus CPAs, LLC<sup>®</sup>  
*Better Guidance. Smarter Decisions.*

Beaver Water District of  
Washington and Benton Counties  
Table of Contents  
September 30, 2024 and 2023

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	5
Financial Statements	
Statements of Net Position .....	10
Statements of Revenues, Expenses, and Changes in Net Position .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	13
Supplemental Information	
Schedules of Unrestricted Cash and Investments .....	24
Schedules of Restricted Cash and Investments .....	25
Single Audit Financial Statements	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26
Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance .....	28
Schedule of Expenditures of Federal Awards .....	31
Notes to Schedule of Expenditures of Federal Awards .....	32
Schedule of Findings and Questioned Costs .....	33
Summary Schedule of Prior Audit Findings .....	35



## Independent Auditors' Report

To the Board of Directors  
Beaver Water District of Washington and Benton Counties  
Lowell, Arkansas

### Opinion

We have audited the accompanying financial statements of Beaver Water District of Washington and Benton Counties (the District) as of and for the years ended September 30, 2024 and 2023, 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, the respective financial position of the governmental activities of the Beaver Water District of Washington and Benton Counties, as of September 30, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Beaver Water District of Washington and Benton Counties 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.

### Management's Responsibility 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.

### **Auditors' Responsibility**

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 auditors' 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 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 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beaver Water District of Washington and Benton Counties basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of unrestricted cash and investments and schedules of restricted cash and investments are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of unrestricted cash and investments and schedules of restricted cash and investments are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material mistake of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2024, on our consideration of Beaver Water District of Washington and Benton Counties' 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 Beaver Water District of Washington and Benton Counties' internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. It reads "Abacus CPAs, LLC". The "A" is large and loops around the "b". The "CPAs" is written in a slightly more formal cursive, and "LLC" is at the end.

Springfield, Missouri  
December 15, 2024

**Beaver Water District of  
Washington and Benton Counties  
Management's Discussion and Analysis  
For the Years Ended September 30, 2024 and 2023**

The following is a discussion and analysis of Beaver Water District of Washington and Benton Counties (Beaver Water District) financial performance for the years ending September 30, 2024, and 2023. This analysis, in conjunction with the District's financial statements and notes to financial statements, provides a complete analysis of those statements.

**FINANCIAL HIGHLIGHTS**

**FY 2023 to FY 2024**

- The District's Total Net Position increased by \$21.4 million or 10.1%.
- Operating Revenues increased by \$5.4 million or 14.4%.
- Operating Expenses, before depreciation, increased \$535 thousand or 2.6%.
- Operating Income totaled \$16,219,174 in FY 2024.
- Property, Plant and Equipment, net of depreciation, increased \$39.1 million or 34.8%.
- Related to debt on the Western Corridor Pipeline, long-term debt increased by \$23.3 million or 428.4%.

**FY 2022 to FY 2023**

- The District's Total Net Position increased by \$12.9 million or 6.5%.
- Operating Revenues increased by \$3.7 million or 10.9%.
- Operating Expenses, before depreciation, increased \$2.2 million or 12.3%.
- Operating Income totaled \$11,430,781 in FY 2023.
- Property, Plant and Equipment, net of depreciation, increased \$2.4 million or 2.2%.
- Related to debt on the Western Corridor Pipeline, long-term debt increased by \$3.6 million or 193.7%.

**DISTRICT HIGHLIGHTS**

**FY 2023 to FY 2024**

- The District's Long-Term Financial Plan was updated in May 2024 and the District's Board determined a 13 cent (8.4%) rate increase would be adopted for fiscal year 2025, beginning October 1, 2024. The updated rate for FY 2024 is \$1.67 per thousand gallons sold.
- The District continued borrowing on a Drinking Water Revolving Loan by the Arkansas Natural Resources Commission in the amount of \$125,686,157. That application was approved for the purpose of funding the Western Corridor Pipeline Expansion Project. As of September 30, 2024, the accumulated expenses on the pipeline project for principal and interest totaled \$27,251,377.
- Water sales increased by 2.2 billion gallons year over year, an increase of 8.4%, setting a new sales record for the District. Sales were higher to all four customer cities, including a 4.4% increase to Fayetteville, a 10.8% increase to Springdale, a 4.9% increase to Rogers and an 18.4% increase to the City of Bentonville.
- Acquisition of easements and property for the Western Corridor facilities continued.

**Beaver Water District of  
Washington and Benton Counties  
Management's Discussion and Analysis  
For the Years Ended September 30, 2024 and 2023**

FY 2022 to FY 2023

- The District's Long-Term Financial Plan was updated in May 2023 and the District's Board determined an 8 cent (5.5%) rate increase would be adopted for fiscal year 2024, beginning October 1, 2023. The updated rate for FY 2024 is \$1.54 per thousand gallons sold.
- The District was awarded a Drinking Water Revolving Loan by the Arkansas Natural Resources Commission in the amount of \$125,686,157. That application was approved for the purpose of funding the Western Corridor Pipeline Expansion Project. As of September 30, 2023, the accumulated expenses on the pipeline project totaled \$3,671,716.
- Water sales increased by 1.7 billion gallons year over year, an increase of 7.2%, setting a new sales record for the District. Sales were higher to three customer cities, including a 3.2% increase to Fayetteville, a 10.0% increase to Springdale and a 17.2% increase to the City of Bentonville.
- Acquisition of easements and property for the Western Corridor facilities continued.

## **REQUIRED FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis, the Financial Statements, and Required Supplementary Information. The Notes to Financial Statements contain additional details related to information contained in the Financial Statements.

The Financial Statements of the District present information based on the accrual basis of accounting, which is the method normally used by private sector companies. The Statement of Net Position provides information on the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position provides information on the District's revenues and expenses for the fiscal years ending September 30, 2024 and 2023. This statement can determine whether the District recovered all costs and expenses, primarily through water sales to its customers, and the financial standing and credit worthiness of the District.

The third financial statement is the Statement of Cash Flows, which provides information on the District's cash receipts, cash payments, and changes in cash related to investment activity, financing activity, and capital asset acquisition.

## **ASSETS**

Total Assets increased by a net of \$45.1 million (20.5%) during the Fiscal Year ended September 30, 2024. This increase is primarily comprised of an increase in Current Assets of \$3.5 million, combined with an increase of \$39.1 million in Property, Plant, and Equipment, related to acquisition of land for the western corridor pipeline and construction of the pipeline and pump station.

The increase in Current Assets was primarily the result of funding capital reserves for future capital costs and investment of those funds in cash, cash equivalents and long-term investments with maturities longer than one year.



**Beaver Water District of  
Washington and Benton Counties  
Management's Discussion and Analysis  
For the Years Ended September 30, 2024 and 2023**

Capital reserves are necessary to ensure the District has the capacity to meet the cost of meeting future demands for water, replacing aging assets, and providing sufficient cash reserves to fund operating and capital costs to comply with state and federal regulations.

## **LIABILITIES**

Total Liabilities increased \$23.7 million or 266.2% related to the application to the Arkansas Natural Resources Commission (ANRC) for a Drinking Water State Revolving Fund (SRF) Loan in the amount of \$125,686,157. That application was subsequently approved for the purpose of funding the Western Corridor Pipeline Expansion Project.

The District held a 'AA+' bond rating from Standard and Poor's rating service when the Series 2010 Bonds were issued. To obtain the ANRC State Revolving Loan, the District was required to set aside a depreciation reserve equal to 5% of annual revenues. As of September 30, 2024, the District's Depreciation Fund had a balance of \$2,134,226.

## **REVENUES**

Operating Revenues, which consist primarily of water sales to the District's customer cities of Fayetteville, Springdale, Rogers, and Bentonville, Arkansas, increased by \$5.4 million or 14.4%. Non-operating Revenues increased by approximately \$3.8 million. This category is comprised of investment income, net increase or decrease in fair market value of investments, and miscellaneous income. Investment income on the District's short and long-term investments increased by \$2,299,751 due to increasing rates of return experienced during FY 2024. Unrealized gains on investments also increased by \$1,575,558 related to improved market values of the underlying investments.

## **EXPENSES**

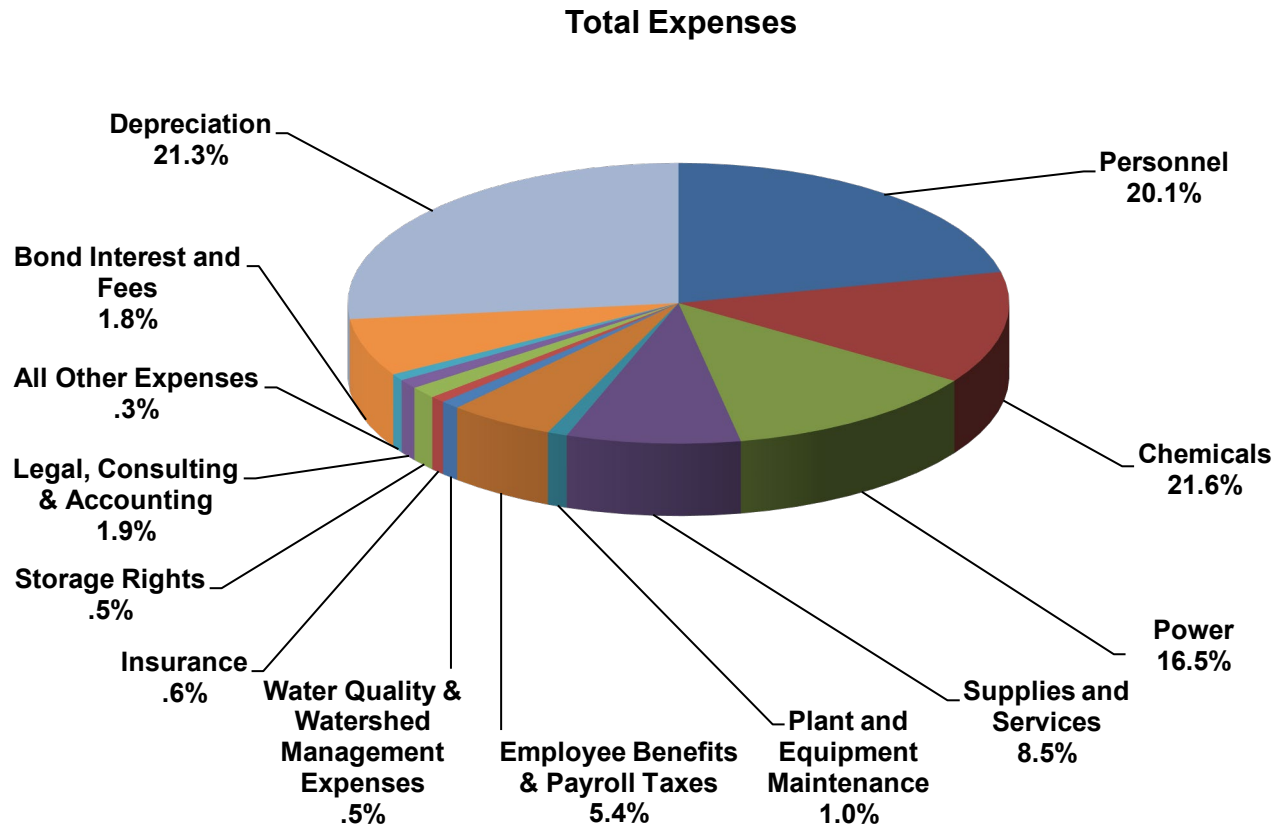
Total Operating Expenses, before depreciation, increased by \$534.7 thousand or 2.6%, reflecting the increase in the major categories of chemicals and personnel, offset by savings in power generation costs and solids handling expenses. A few categories warrant analysis and discussion, as follows:

Chemical costs increased a marginal amount of \$285 thousand, or only 5.2%, in spite of the District producing 8.4% more water, which reflected price savings and some reduced feed rates. Primary chemicals that experienced price and/or percentage increases included alum at \$240 thousand (18.2%), lime at \$53 thousand (18.3%) and ferrous sulfate at \$62 thousand (8.9%). We experienced savings in price and feed rates in caustic soda, (down \$79 thousand or 6.6%) and fluoride, (down \$59 thousand or 14.0%). The Environmental Protection Agency (EPA) promulgated new rules under authority contained in the Safe Drinking Water Act related to disinfection by-products, which are compounds created when organic matter contained in the raw source water reacts with the disinfectant (normally chlorine) used to kill bacteria. Ferrous sulfate quenches chlorite, a disinfection by-product resulting from the use of chlorine dioxide as a pre-oxidant. Feeding chlorine dioxide as an alternative pre-oxidant reduces the formation of disinfection by-products in the finished water, which will assist the District, and its customer cities, in meeting the Stage II Disinfection By-Products Rule.

Beaver Water District of  
Washington and Benton Counties  
Management's Discussion and Analysis  
For the Years Ended September 30, 2024 and 2023

In FY 2024 power costs decreased by \$105 thousand (.23%), in spite of the District producing 8.4% more water. Kilowatt hour savings were due to multiple drops in natural gas prices experienced by Carroll Electric Cooperative Corporation (CECC).

The following chart gives a visual illustration of each expense category as a percentage of the District's total expenses. This chart shows that depreciation, personnel costs, power, chemicals, and supplies and services are the largest expense items, which account for 88% of the District's total expenses.



#### RESERVE FUNDING

It is vital that the District look to the future to anticipate operational needs, debt service requirements, and capital expenditure needs to ensure the viability of the District. All utilities are facing extensive infrastructure improvements to replace aging assets, maintain compliance with new regulations, and provide additional capacity as demand increases. Therefore, the District must fund reserves for the future replacement and refurbishment requirements for existing assets, and future capital improvements. The District must have in place the capacity and financial resources to accomplish our mission of sustainably providing our customers with safe, economical drinking water.

**Beaver Water District of  
Washington and Benton Counties  
Management's Discussion and Analysis  
For the Years Ended September 30, 2024 and 2023**

**LONG-TERM DEBT**

On February 16, 2023, the District entered into a bond purchase agreement with the Arkansas Natural Resources Commission and the Arkansas Development Finance Authority for the purpose of obtaining funding for the construction of the Western Corridor Treated Water Pipeline Project. This project includes the acquisition, construction, equipping and installation of a 60" pipeline to transmit treated water to the future pump station which will serve as an additional connection point for the District's customer cities. The Bond shall bear interest at the rate of 0.75% per annum with an additional 1.0% service fee payable on each April 15<sup>th</sup> and October 15<sup>th</sup> after the bond is issued. The first principal payment shall be payable on October 15, 2026, and installments will be payable each April 15<sup>th</sup> and October 15<sup>th</sup> thereafter until the final payment is made on April 15, 2046.

**LONG RANGE FINANCIAL PLAN & RATES**

As a means of assessing infrastructure and long-range financial needs, the District annually develops a financial plan, which estimates future revenues, operating expenses, and capital requirements for replacement, refurbishment, and expansion of District facilities. The Long-Range Financial Plan is used to forecast future reserve requirements and scheduling of rate increases. As directed by the Board, the plan is reevaluated on an annual basis for the purposes of forecasting the District's financial position and adjusting rates.

The District's Long-Term Financial Plan was updated In May 2024 and the District's Board determined that a 13-cent rate increase would be adopted for fiscal year 2025, beginning October 1, 2024. That increase is in keeping with the Board's philosophy of small rate increases over time, versus large increases from time to time. Such a philosophy protects the District's customer cities from unforeseen increases in the Beaver Water District wholesale rate.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, creditors, and other interested parties with an overview of the District's financial operations and conditions. Should you desire additional information, you may contact the Beaver Water District at P.O. Box 400, Lowell, Arkansas, 72745.

Beaver Water District of Washington and Benton Counties  
Statements of Net Position  
September 30, 2024 and 2023

Assets		
	2024	2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 70,616,176	\$ 45,785,552
Cash and cash equivalents - restricted	3,201,339	3,247,340
Investments	31,407,030	50,382,702
Investments - restricted	2,173,930	4,960,632
Accounts receivable	4,231,632	3,700,482
Accrued interest receivable	-	42,466
Accrued interest receivable - restricted	-	10,413
Prepaid expenses	236,448	189,170
Inventory	19,558	19,558
Other current assets	1,050	520
<b>Total Current Assets</b>	<b>111,887,163</b>	<b>108,338,835</b>
<b>Non-Current Assets</b>		
Investments	499,365	-
Investments - restricted	1,002,375	-
Capital assets, net of accumulated depreciation	151,189,286	112,124,888
<b>Total Non-Current Assets</b>	<b>152,691,026</b>	<b>112,124,888</b>
<b>Right of Use Asset</b>	<b>966,770</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 265,544,959</b>	<b>\$ 220,463,723</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,005,370	\$ 2,889,366
Accrued expenses	573,200	480,554
Accrued interest payable	160,523	-
Current portion of long-term debt	78,067	76,016
Current portion of long-term lease liability	38,744	-
<b>Total Current Liabilities</b>	<b>2,855,904</b>	<b>3,445,936</b>
<b>Long-Term Debt, Net of Current Portion</b>	<b>28,791,861</b>	<b>5,448,977</b>
<b>Long-Term Lease Liability, Net of Current Portion</b>	<b>928,027</b>	<b>-</b>
<b>Total Liabilities</b>	<b>32,575,792</b>	<b>8,894,913</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	122,319,357	106,599,895
Restricted	6,377,644	8,218,385
Unrestricted	104,272,166	96,750,530
<b>Total Net Position</b>	<b>232,969,167</b>	<b>211,568,810</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 265,544,959</b>	<b>\$ 220,463,723</b>

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues</b>		
Water sales	\$ 43,003,825	\$ 37,600,002
<b>Total Operating Revenue</b>	<u>43,003,825</u>	<u>37,600,002</u>
<b>Operating Expenses</b>		
Personnel	5,377,454	4,971,447
Chemicals	5,782,154	5,494,863
Power	4,425,226	4,530,029
Supplies and services	2,290,043	2,643,359
Plant, equipment and vehicle maintenance	265,076	200,071
Employee benefits	1,056,614	1,026,142
Payroll taxes	401,609	512,584
Water quality and watershed management	137,680	130,248
Insurance	169,686	276,542
Telephone and telemarketing	51,902	39,783
Association dues and fees	51,100	71,076
Travel and training	339,101	282,191
Storage rights	142,970	148,423
Directors fees and management	25,876	8,512
Legal, consulting, and accounting	509,226	203,238
Depreciation and amortization	5,711,434	5,630,713
Rent or lease	47,500	-
<b>Total Operating Expenses</b>	<u>26,784,651</u>	<u>26,169,221</u>
<b>Operating Income</b>	<u>16,219,174</u>	<u>11,430,781</u>
<b>Other Income (Expense)</b>		
Investment income	3,136,885	837,134
Unrealized gain	2,225,581	650,023
Interest expense and related fees	(210,592)	(52,067)
Investment expense	(696)	(620)
Miscellaneous income	30,005	40,001
<b>Total Other Income</b>	<u>5,181,183</u>	<u>1,474,471</u>
<b>Increase in Net Position</b>	21,400,357	12,905,252
<b>Net Position, Beginning of Year</b>	<u>211,568,810</u>	<u>198,663,558</u>
<b>Net Position, End of Year</b>	<u><u>\$ 232,969,167</u></u>	<u><u>\$ 211,568,810</u></u>

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties  
Statements of Cash Flows  
For the Years Ended September 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 42,472,145	\$ 37,274,532
Cash paid for:		
Payroll and related expenses	(6,582,509)	(6,424,603)
Goods and services	(14,978,344)	(11,775,217)
Water storage expense	(142,970)	(148,423)
Rent or lease expense	(47,500)	-
<b>Net Cash Provided by Operating Activities</b>	<u>20,720,822</u>	<u>18,926,289</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from long-term debt	23,450,952	3,639,902
Principal payments on long-term debt	(106,016)	(44,018)
Interest paid on long-term debt	(50,069)	(45,293)
Purchases of capital assets	(43,752,728)	(8,043,030)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<u>(20,457,861)</u>	<u>(4,492,439)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(31,810,407)	(10,751,011)
Proceeds from sale of investments	53,142,305	11,558,511
Investment income	3,189,764	804,739
<b>Net Cash Provided by Investing Activities</b>	<u>24,521,662</u>	<u>1,612,239</u>
<b>Net Increase in Cash and Cash Equivalents</b>	24,784,623	16,046,089
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>49,032,892</u>	<u>32,986,803</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 73,817,515</u></u>	<u><u>\$ 49,032,892</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 16,219,174	\$ 11,430,781
Depreciation and amortization	5,711,434	5,630,713
Changes in assets and liabilities:		
Accounts receivable	(531,150)	(325,185)
Prepaid expenses	(47,278)	121,511
Other current assets	(530)	(284)
Right of use asset	(38,614)	-
Accounts payable	(883,996)	1,983,184
Accrued expenses	253,168	85,569
Lease liabilities	38,614	-
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 20,720,822</u></u>	<u><u>\$ 18,926,289</u></u>
<b>Supplemental Information</b>		
Cash paid for interest	<u><u>\$ 50,069</u></u>	<u><u>\$ 45,293</u></u>

See notes to the financial statements.

**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**1. Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist in understanding Beaver Water District of Washington and Benton Counties' (the District) financial statements. The financial statements and notes are representations of the District's management, which is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Reporting Entity**

The Beaver Water District of Washington and Benton Counties was created on July 17, 1959, under the provisions of Act 114, Arkansas Acts of 1957, in order to establish a nonprofit, regional water distribution district for Washington and Benton counties. The District's governmental powers are exercised through a six-member Board of Directors.

**Basis of Accounting and Measurement Focus**

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charged to customers for water sales. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budget Comparison**

The District is not legally required to adopt a budget for the enterprise fund. Therefore, budget comparison information is not included in the District's financial statements.

**Use of Estimates**

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

**Income Taxes**

Income of the District is derived from the exercise of essential governmental functions and accrues to the District, a political subdivision of the State of Arkansas. The District is not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Beaver Water District of Washington and Benton Counties  
Notes to Financial Statements  
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Comparative Data

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

Restricted Assets

Amounts designated as restricted assets have been restricted by either bond indenture, by law, by contractual obligations such as servicing bond debt or by board designation and are to be used for specified purposes such as servicing the bond debt, construction or purchase of capital assets, payment of insurance and water storage fees.

Cash Equivalents

For purposes of the Statements of Cash Flows, the District considers all unrestricted, highly liquid investments with maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The District has adopted a formal investment policy. The primary objective of the policy is to provide more suitable investment opportunities. The policy encompasses the definition of “eligible investment securities” as stated in Act 629 of the Arkansas 88th General Assembly Regular Session of 2011. An eligible investment is a direct or guaranteed obligation of the United States that is backed by the full faith and credit of the United States Government; a direct obligation of an agency, instrumentality, or government-sponsored enterprise created by an act of the United States Congress; a bond or other debt of the state, a school district, a county government, a municipal government, or an authority of a governmental entity that is issued for essential governmental purposes or is guaranteed by a state agency and has a debt rating from a nationally recognized credit rating agency of “A” or better at the time of purchase.

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for an asset or liability.



Beaver Water District of Washington and Benton Counties  
Notes to Financial Statements  
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Accounts Receivable

Water usage is billed to the member cities in monthly cycles. Accounts receivable represents water usage billed but not yet collected and totals \$4,231,632 and \$3,700,482, as of September 30, 2024 and 2023, respectively. The District provides for bad debts based on the allowance method using historical experience and management's analysis of accounts. No allowance for doubtful accounts has been established, as all receivables are considered collectible.

Inventories

Inventory consists of replacement parts and crucial repair items. Inventory is carried at cost, using the lower of average cost (first in, first out) and net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to fifty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to expense as incurred. The District's policy is to capitalize assets with a value of at least \$2,000.

Net Position Classifications

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets, net of related debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, law through constitutional provision or enabling legislation, or by action by the Board of Directors.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Beaver Water District of Washington and Benton Counties  
Notes to Financial Statements  
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Leases

The District adopted GASB No. 87, Leases, using the modified retrospective approach with October 1, 2021 as the date of initial adoption. The District elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the District to carry forward the historical lease classification. In addition, the District elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

At times, the District leases certain equipment. The determination of whether an arrangement is a lease is made at the lease's inception. 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, other current liabilities, and operating lease liabilities in our balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets, as of September 30, 2024 and 2023 the District did not have any finance leases.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our 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, or the risk free rate. Since most of 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 includes 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 we will exercise the option, generally not longer than 5 years.

Adoption of New Accounting Standards

SBITA

The District adopted GASB No. 96, Subscription-Based Information Technology Arrangements, using the prospective approach with October 1, 2023 as the date of initial adoption. The District elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the District to recognize right of use assets, subscription liability, and related amortization and expenses related to subscription agreements. In addition, the District has not restated comparative information for prior periods, as the guidance requires prospective application.

**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**2. Deposits and Investments**

The aggregate carrying amount of investments as of September 30, 2024 and 2023, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

September 30, 2024:

	Fair Value	Maturities in Years		
		Less Than 1	1-5	Over 5
Fixed income investments	\$ 2,645,883	\$ 2,645,883	\$ -	\$ -
Corporate bonds	507,716	507,716	-	-
Municipal bonds	1,294,207	1,294,207	-	-
U.S. agency obligations	30,634,894	29,133,154	1,501,740	-
	<u>\$ 35,082,700</u>	<u>\$ 33,580,960</u>	<u>\$ 1,501,740</u>	<u>\$ -</u>

September 30, 2023:

	Fair Value	Maturities in Years		
		Less Than 1	1-5	Over 5
Fixed income investments	\$ 5,558,179	\$ 5,558,179	\$ -	\$ -
Certificates of deposit	5,000,000	5,000,000	-	-
Corporate bonds	2,060,684	2,060,684	-	-
Municipal bonds	2,880,431	2,880,431	-	-
U.S. agency obligations	39,844,040	39,844,040	-	-
	<u>\$ 55,343,334</u>	<u>\$ 55,343,334</u>	<u>\$ -</u>	<u>\$ -</u>

For the securities held as investments, fair value equals quoted market prices. The investments held by the District are subject to market risk. Accordingly, the estimates presented herein are not necessarily indicative of amounts that the District could realize in a current market exchange. Investments in bonds are held through bond markets and can be traded at any time, the underlying bonds have maturities ranging from 2024 - 2048.

**3. Restricted Assets**

Restricted assets are presented on the Statements of Net Position in the following categories:

	2024	2023
Cash and cash equivalents - current	\$ 3,201,339	\$ 3,247,340
Investments - current	2,173,930	4,960,632
Investments - non-current	1,002,375	-
Accrued interest receivable	-	10,413
<b>Total Restricted Reserves</b>	<u><b>\$ 6,377,644</b></u>	<u><b>\$ 8,218,385</b></u>

**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**3. Restricted Assets - (continued)**

Restricted cash, investments and related accounts are held for specific purposes as follows:

	2024	2023
Depreciation fund	\$ 2,134,226	\$ 2,040,173
Storage water protection fund	1,699,148	2,002,833
Storage space fund	1,477,157	2,957,799
Contingency fund	1,067,113	-
Construction fund	-	1,207,167
Source water protection fund - accrued interest receivable	-	10,413
<b>Total Restricted Reserves</b>	<b>\$ 6,377,644</b>	<b>\$ 8,218,385</b>

**4. Custodial Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Arkansas Law requires banks and savings and loan institutions to pledge collateral for balances in excess of the FDIC limit. The District's deposits were fully collateralized at September 30, 2024 and 2023.

The custodial credit risk for investments is the risk that, in the event of the failure of a counter-party (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

**5. Property and Equipment**

	2023	Additions/ Transfers	Disposals/ Transfers	2024
Land and land rights	\$ 10,438,020	\$ 1,942,122	\$ -	\$ 12,380,142
Construction in progress	10,940,033	44,775,831	(8,631,562)	47,084,302
Intake structures	67,932,521	796,407	(427,763)	68,301,165
Water treatment plant	84,562,774	5,252,807	-	89,815,581
Power and generating equipment	26,512,183	209,902	(70,400)	26,651,685
Communications instrumentation	7,562,101	259,201	(503,200)	7,318,102
Office and other equipment	1,578,249	94,004	-	1,672,253
Plant equipment	2,578,608	77,119	(21,739)	2,633,988
<b>Total property and equipment</b>	<b>\$ 212,104,489</b>	<b>\$ 53,407,393</b>	<b>\$ (9,654,664)</b>	<b>\$ 255,857,218</b>
Accumulated depreciation	(99,979,601)	(5,711,434)	1,023,103	(104,667,932)
<b>Net property and equipment</b>	<b>\$ 112,124,888</b>	<b>\$ 47,695,959</b>	<b>\$ (8,631,561)</b>	<b>\$ 151,189,286</b>

**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**5. Property and Equipment - (continued)**

	2022	Additions/ Transfers	Disposals/ Transfers	2023
Land and land rights	\$ 10,438,020	\$ -	\$ -	\$ 10,438,020
Construction in progress	3,901,739	8,109,478	(1,071,184)	10,940,033
Intake structures	67,821,855	120,783	(10,117)	67,932,521
Water treatment plant	84,398,741	169,157	(5,124)	84,562,774
Power and generating equipment	26,172,898	344,285	(5,000)	26,512,183
Communications instrumentation	7,238,277	327,803	(3,979)	7,562,101
Office and other equipment	1,561,286	24,810	(7,847)	1,578,249
Plant equipment	2,528,644	51,123	(1,159)	2,578,608
<b>Total property and equipment</b>	<b>204,061,460</b>	<b>9,147,439</b>	<b>(1,104,410)</b>	<b>212,104,489</b>
Accumulated Depreciation	(94,382,112)	(5,630,713)	33,224	(99,979,601)
<b>Net property and equipment</b>	<b>\$ 109,679,348</b>	<b>\$ 3,516,726</b>	<b>\$ (1,071,186)</b>	<b>\$ 112,124,888</b>

Depreciation expense for the years ended September 30, 2024 and 2023 was \$5,711,434 and \$5,630,713, respectively.

**6. Long-Term Debt**

Pursuant to the District's water rights obligations in Note 9 the district recognized a long-term debt obligation originating in 1993. The obligation carried an original principal balance of \$3,530,803 including \$1,285,641 of capitalized interest and carries an interest rate of 2.70%. 50 annual payments of \$126,805 began in 1993.

Long-term debt, net of premiums, consists of the following:

	2023	Additions	Payments	2024
Water rights obligation, issued 1993, secured by all assets and revenue.	\$ 1,885,091	-	\$ (106,016)	\$ 1,779,075
State Revolving Fund, Bonds Payable 2023 Series Revenue Bond, of up to \$125,686,157, with an interest rate .75%, principal payments to begin in October 2026, secured by revenue.	3,639,902	23,450,951	-	27,090,853
<b>Total</b>	<b>\$ 5,524,993</b>	<b>\$ 23,450,951</b>	<b>\$ (106,016)</b>	<b>\$ 28,869,928</b>
Less: Current Portion	(76,016)			(78,067)
<b>Total Long-Term Debt</b>	<b>\$ 5,448,977</b>			<b>\$ 28,791,861</b>

Beaver Water District of Washington and Benton Counties  
Notes to Financial Statements  
For the Years Ended September 30, 2024 and 2023

6. Long-Term Debt - (continued)

The future maturities as of September 30, 2024 are:

<u>Year</u>	<u>Principal</u>
2025	\$ 78,067
2026	2,718,051
2027	5,427,538
2028	5,523,709
2029	5,621,593
2030-2042	9,500,970
<b>Total</b>	<b>\$ 28,869,928</b>

Interest expense and related fees during the years ended September 30, 2024 and 2023 totaled \$210,592 and \$52,067, respectively.

7. Water Sales

The District has contracts with the cities of Fayetteville, Springdale, Rogers and Bentonville whereby the cities agree to buy water. Water sales were as follows for the years ended September 30, 2024 and 2023.

	<u>2024</u>		<u>2023</u>	
	<u>(GA in 000's)</u>	<u>Amount</u>	<u>(GA in 000's)</u>	<u>Amount</u>
Fayetteville	\$ 8,765,040	\$ 13,498,162	\$ 7,912,500	\$ 11,552,250
Springdale	7,936,545	12,222,279	7,602,419	11,099,532
Rogers	3,907,919	6,018,195	3,723,969	5,436,995
Bentonville	7,315,058	11,265,189	6,514,538	9,511,225
<b>Total</b>	<b>\$ 27,924,562</b>	<b>\$ 43,003,825</b>	<b>\$ 25,753,426</b>	<b>\$ 37,600,002</b>

<u>Effective Date</u>	<u>Rate per Million Gallons</u>	<u>Effective Date</u>	<u>Rate per Million Gallons</u>
1967	\$ 180	10/01/10	\$ 1,220
09/01/77	270	10/01/11	1,240
09/01/82	320	10/01/12	1,260
11/01/85	370	10/01/15	1,290
12/01/86	410	10/01/16	1,310
02/01/89	610	10/01/17	1,340
02/01/90	810	10/01/18	1,360
02/01/91	1,010	10/01/19	1,380
11/01/03	1,160	10/01/21	1,410
01/01/08	1,180	10/01/22	1,460
01/01/09	1,200	10/01/23	1,540

**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**8. Retirement Plan**

The District provides employees with retirement benefits through a 401(a) plan and a 457(b) plan. All regular employees over the age of 18 are eligible to participate starting at the nearest quarter after eligibility is met. The District matches the employees' contribution the employee's contribution. Employees are vested 100% in the District's contributions at the beginning of the quarter following the quarter they begin employment.

Prior to the fiscal year ended September 30, 2024, the District sponsored an Employment Retirement Income Security Act of 1974 (ERISA) Section 404(c) plan. Employees with one year of service were eligible to participate. The District contributed up to 200% of the employee's contribution up to a maximum of 3% of compensation for the employee's contribution. Employees were vested 100% in the District's contributions at the beginning of the quarter following the quarter they begin employment.

The District's plan contributions for the years ended September 2024 and 2023 were \$289,960 and \$274,559, respectively.

**9. Commitments and Contingencies**

**Water Storage Expense**

On June 16, 1960, the District entered into a contract with the United States of America for water storage in Beaver Reservoir (supplemented August 12, 1970). The District has the right to utilize 31,000 acre-feet of storage space in the reservoir below elevation 1,120 feet m.s.l. for the initial storage of municipal and industrial water supply and to make withdrawals to the extent the space will provide. Cost of the initial water supply is \$51,127 per year for 50 years plus 2.56% of the annual experienced joint-use operation and maintenance expense of the project. Payments began during fiscal year 1966.

On June 16, 1960, the District also entered into a contract with the United States of America for future water storage in Beaver Reservoir (supplemented September 20, 1993). The District assumed in 1991 the benefits and responsibilities of an additional 77,000 acre-feet of storage. Cost of the future water supply will be paid in 50 annual payments of \$126,085 plus 6.23% of the annual experienced joint-use operation and maintenance expense of the project. Payments began during fiscal year 1991.

On June 5, 2006, the District entered into an additional contract with the United States of America for future water storage in Beaver Reservoir. The District assumed the benefits and responsibilities of an additional 28,757 acre-feet of storage in the reservoir below elevation of 1,120 feet m.s.l. for the storage of municipal and water supply. Cost of the water supply is to be 2.35% of the annual experienced joint-use operation and maintenance expense of the project.

Beaver Water District of Washington and Benton Counties  
Notes to Financial Statements  
For the Years Ended September 30, 2024 and 2023

9. Commitments and Contingencies - (continued)

Water Storage Expense - (continued)

Payments for the operation and maintenance expense ("O&M") are due and payable in advance on the plant-in-service date and shall be based on O&M expense for the project in the government fiscal year most recently ended. The amount of each annual payment will be the actual experienced O&M expense (specific plus allocated joint-use for the preceding fiscal year or an estimate thereof when actual expense information is not available).

The costs to the District for water storage under this contract were \$269,508 and \$274,508, for the years ended September 30, 2024 and 2023, respectively. The District's commitment under the contract for the storage is \$126,085 per year through the year 2042. The commitment does not include the annual O&M expense since this amount is calculated on an annual basis. The O&M is subject to change in future years as it is based on actual operating costs.

Future water right payments are scheduled as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 78,067	\$ 48,018	\$ 126,085
2025	80,175	45,910	126,085
2026	82,339	43,746	126,085
2027	84,561	41,524	126,085
2029	86,843	39,242	126,085
2030-2042	1,367,090	272,014	1,639,104
<b>Total</b>	<b>\$ 1,779,075</b>	<b>\$ 490,454</b>	<b>\$ 2,269,529</b>

Loss Contingencies

During the fiscal year ended September 30, 2024, the District experienced a fraudulent ACH payment incident, wherein an unauthorized third party impersonated a vendor and \$134,000 was transferred to a fraudulent vendor account. Upon discovery, the District took immediate action, including notifying law enforcement, insurance company, and the vendor, and implementing enhanced internal controls to prevent recurrence.

The District was not reimbursed from insurance, therefore this incident resulted in a net loss of \$134,000. This loss has been reflected in the financial statements as part of operating expenses in legal, consulting, and accounting fees.



**Beaver Water District of Washington and Benton Counties**  
**Notes to Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

**10. Leases**

During the fiscal year ended September 30, 2024, the entered into a lease agreement for land. The lease arrangement requires annual payments of \$42,000 to be made for a term of 25 years.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 38,744	\$ 3,256	\$ 42,000
2025	38,874	3,126	42,000
2026	39,005	2,995	42,000
2027	39,136	2,864	42,000
2029	39,268	2,732	42,000
2030-2034	198,334	11,666	210,000
2035-2039	201,698	8,302	210,000
2040-2044	205,117	4,883	210,000
2044-2048	166,594	1,406	168,000
<b>Total</b>	<b>\$ 966,770</b>	<b>\$ 41,230</b>	<b>\$ 1,008,000</b>

**11. Risk Management**

The District is exposed to various risks of loss from tort, theft of, damage to and destruction of assets, business interruption, errors and omissions, natural disasters, employee injuries and illnesses, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental benefits and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three proceeding years and there were no reductions in the District's insurance coverage during the years ended September 2024 and 2023.

**12. Concentrations**

The District's business activities are with cities located in Northwest Arkansas. Although the economy is diversified, all accounts receivable and future revenue is concentrated within the above-mentioned geographic region. The District is dependent on four major customers and one source of water.

**13. Agreement with Member Cities**

Under the District's agreement with member cities, the District may have adjustments to the cities. Adjustments are potential refunds of amounts paid by the cities during the fiscal year. These adjustments are made in accordance with the 1967 Memorandum of Understanding and policies adopted by the Board of Directors. For the years ending September 2024 and 2023, the District had no adjustments.

**14. Subsequent Events**

Management has evaluated subsequent events through December 15, 2024 the date on which the financial statements were available to be issued.

## Supplemental Information

Beaver Water District of Washington and Benton Counties  
Schedules of Unrestricted Cash and Investments  
September 30, 2024 and 2023

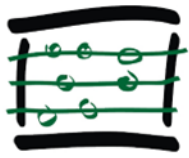
	<u>2024</u>	<u>2023</u>
<b>Current Assets</b>		
<b>Operations and Maintenance Fund</b>		
Cash and cash equivalents	\$ 4,852,460	\$ 1,879,891
Investments	1,137,545	2,295,068
<b>Total Operations and Maintenance Fund</b>	<u>5,990,005</u>	<u>4,174,959</u>
<b>Gross Receipts Fund</b>		
Cash and cash equivalents	<u>10,569</u>	<u>1,555,491</u>
<b>Revenue Fund</b>		
Cash and cash equivalents	<u>987,188</u>	<u>1,042,554</u>
<b>Replacement and Refurbishment Fund</b>		
Cash and cash equivalents	19,666,941	13,174,351
Investments	13,697,604	20,797,966
<b>Total Replacement and Refurbishment Fund</b>	<u>33,364,545</u>	<u>33,972,317</u>
<b>Storage Space Fund</b>		
Cash and cash equivalents	<u>2,740,105</u>	<u>1,040,265</u>
<b>Total Storage Space Fund</b>	<u>2,740,105</u>	<u>1,040,265</u>
<b>Contingency Fund</b>		
Cash and cash equivalents	<u>-</u>	<u>1,020,087</u>
<b>Total Contingency Fund</b>	<u>-</u>	<u>1,020,087</u>
<b>Expansion Reserve Fund</b>		
Cash and cash equivalents	40,898,845	25,310,200
Investments	16,571,881	27,289,668
<b>Total Expansion Reserve Fund</b>	<u>57,470,726</u>	<u>52,599,868</u>
<b>Source Water Protection Fund</b>		
Cash and cash equivalents	<u>1,460,068</u>	<u>762,713</u>
<b>Total Source Water Protection Fund</b>	<u>1,460,068</u>	<u>762,713</u>
<b>Total Current Assets</b>	<u><u>\$ 102,023,206</u></u>	<u><u>\$ 96,168,254</u></u>
<b>Non-Current Assets</b>		
<b>Expansion Reserve Fund</b>		
Investments	<u>\$ 499,365</u>	<u>\$ -</u>
<b>Total Non-Current Assets</b>	<u><u>\$ 499,365</u></u>	<u><u>\$ -</u></u>

See Independent Auditors' Report.

Beaver Water District of Washington and Benton Counties  
Schedules of Restricted Cash and Investments  
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Current Assets</b>		
<b>Depreciation fund</b>		
Cash and cash equivalents	\$ 2,134,226	\$ 2,040,173
<b>Contingency Fund</b>		
Cash and cash equivalents	1,067,113	-
<b>Contruction Fund</b>		
Cash and cash equivalents	-	1,207,167
<b>Storage Space Fund</b>		
Investments	1,477,157	2,957,799
<b>Source Water Protection Fund</b>		
Investments	<u>696,773</u>	<u>2,002,833</u>
<b>Total Current Assets</b>	<u><u>\$ 5,375,269</u></u>	<u><u>\$ 8,207,972</u></u>
<b>Non-Current Assets</b>		
<b>Source Water Protection Fund</b>		
Investments	<u>\$ 1,002,375</u>	<u>\$ -</u>
<b>Total Non-Current Assets</b>	<u><u>\$ 1,002,375</u></u>	<u><u>\$ -</u></u>

See Independent Auditors' Report.



**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

To the Board of Directors of the  
Beaver Water District of Washington and Benton Counties  
Lowell, Arkansas

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 the Beaver Water District of Washington and Benton Counties (the District), which comprise the statements of net position as of and for the years ended September 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements, and have issued our report thereon dated December 15, 2024.

**Independent Auditors' 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items to be material weaknesses. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

## **Beaver Water District of Washington and Benton Counties' Response to Findings**

Government Auditing Standards requires 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 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.

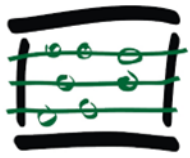
## **Purpose of this Report**

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Abacus CPAs, LLC". The signature is written in a cursive, flowing style.

Springfield, Missouri

December 15, 2024



## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Beaver Water District of Washington and Benton Counties  
Lowell, Arkansas

### **Independent Auditors' Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Beaver Water District of Washington and Benton Counties (the District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Beaver Water District of Washington and Benton Counties and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Beaver Water District of Washington and Benton Counties' federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Governmental Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Abacus CPAs, LLC*

Springfield, Missouri

December 15, 2024

Beaver Water District of Washington and Benton Counties  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2024

Award Information	AL/other #	Pass-Through Entity Name	Pass-Through Entity #	Passed-through to Subrecipients (\$)	Federal Expenditures (\$)
<b>Drinking Water State Revolving Fund Cluster</b>					
United States Environmental Protection Agency					
Drinking Water State Revolving Fund					
Drinking Water State Revolving Fund	66.468	Arkansas Natural Resource Commission	01390-DWSRD-L	-	23,450,952
Total Drinking Water State Revolving Fund				-	23,450,952
Total United States Environmental Protection Agency				-	23,450,952
<b>Total Drinking Water State Revolving Fund Cluster</b>				-	\$ 23,450,952
<b>Total Expenditures of Federal Awards</b>				-	\$ 23,450,952

The accompanying notes are an integral part of this schedule.

**Beaver Water District of Washington and Benton Counties**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

**Notes to the Schedule of Expenditures**

**A. Basis of Presentation**

The accompanying schedules of expenditures of federal awards are presented in accordance with 2 CFR section 200.510(b) and represent the financial activity of Beaver Water District of Washington and Benton Counties for the fiscal year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Beaver Water District of Washington and Benton Counties, it is not intended to and does not present the net position, changes in net position, or cash flows of Beaver Water District of Washington and Benton Counties.

**B. Summary of Significant Accounting Policies**

These schedules are prepared on the accrual basis of accounting and include all applicable federal awards received and expended during the year, with a focus on the Drinking Water State Revolving Fund (DWSRF). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**C. Federal Loans**

The District was approved by the EPA and Drinking Water State Revolving Fund to receive loans totaling \$125,686,157 on a reimbursement basis. The balance at the end of the period was \$27,090,854.

Balance 09/30/2023	\$ 3,639,902
Draws	23,450,952
Balance 09/30/2024	<u>\$ 27,090,854</u>

**D. Compliance with DWSRF Program Requirements**

Expenditures related to DWSRF are reported in compliance with the specific requirements outlined in the EPA's regulations governing the DWSRF program. This includes adherence to the Safe Drinking Water Act and other applicable federal regulations.

**E. Indirect Cost Rate**

Beaver Water District of Washington and Benton Counties has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**F. Assistance Listing Number (ALN)**

The program title and ALN number was obtained from the federal or pass-through grantor or the sam.gov website.

**Beaver Water District of Washington and Benton Counties**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2024**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors reporting:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X	_____ No
Significant deficiency(ies)?	X _____ Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	_____ No

**Federal Awards**

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ X	_____ No
Significant deficiency(ies)?	_____ Yes	_____ X	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.156(a)?	_____ Yes	_____ X	_____ No

**Identification of Major Programs:**

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund Cluster Drinking Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u>X</u> _____ No

**Section II - Financial Statement Findings**

2024-001

*Condition* - For the year ended September 30, 2024, the District had a failure of controls over the expense section from fraudulent vendor communications. The controls in place were followed and confirmed with the real vendor, which had confirmed the invoice had needed to be paid. The impersonator has intercepted communications inside the entity and posed as a known vendor.

*Criteria* - Controls in place over expensing include staff submitting purchase orders to accounting department, which compare and match invoice and vendor information to confirm. Additional communication with vendor and comparing ACH or payment information is reviewed if necessary.

**Beaver Water District of Washington and Benton Counties**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2024**

**Section II - Financial Statement Findings - (continued)**

*Effects* – The fraudulent vendor communications led to an ACH payment. When legal counsel and insurance company was contacted no claim could be submitted due to limited coverage, and the funds could not be tracked. The full amount was expensed.

*Recommendation* – Abacus has recommended an increase in insurance coverage, and an evaluation of current expense controls. Additional controls to address phishing and vendor impersonation fraud. An evaluation of the IT environment and security is also recommended.

*Managements Response* – Beaver Water District has committed to increase coverage and evaluate current controls. An additional evaluation of the IT environment and security.

**Section III - Federal Award Findings and Questioned Costs**

None

Beaver Water District of Washington and Benton Counties  
Summary Schedule of Prior Audit Findings  
September 30, 2024

Section I – Financial Statement Findings

None.

Section II – Federal Awards Findings

None.