

**CITY OF BRINKLEY WATER
AND SEWER DEPARTMENT
Brinkley, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2025 and 2024
and
INDEPENDENT AUDITOR'S REPORT**

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
Brinkley, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2025 and 2024

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-3
Statements of Net Position	4
Statements of Revenues, Expenses and Change in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	
Note 1 - Summary of Significant Accounting Policies	7-9
Note 2 - Restricted Assets	9
Note 3 - Long-Term Debt.....	10-11
Note 4 - Capital Assets	12
Note 5 - Public Departments: Deposits with Financial Institutions	12
Note 6 - Pension Plan	13
Note 7 - Commitments	13
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>	14-15
Schedule of Findings and Responses	16-17
Supplementary Information Required by USDA Rural Development	18-19



Berry & Associates
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

Page 1

Members of the Commission
City of Brinkley Water and Sewer Department
Brinkley, Arkansas

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the City of Brinkley Water and Sewer Department, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed on the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Brinkley Water and Sewer Department as of December 31, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water and Sewer Department and do not purport to, and do not, present fairly the financial position of the City of Brinkley, Arkansas, as of December 31, 2025 and 2024, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

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

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 Department'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.

11225 Huron Lane, Suite 212 • Little Rock, AR 72211 • 501-227-9044 • Fax 501-227-8791
2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 214-613-8989
2088 Main Street, Suite A • Madison, MS 39110 • 601-620-2482
berryassociatescpa.com

Members of the Commission
City of Brinkley Water and Sewer Department

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The Supplementary Information Required by the USDA Rural Development is 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 Supplementary Information Required by the USDA Rural Development is fairly stated in all material respects, in relation to the financial statements as a whole.

Members of the Commission
City of Brinkley Water and Sewer Department

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2026 on our consideration of the City of Brinkley Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brinkley Water and Sewer Department's internal control over financial reporting and compliance.

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

Berry & Associates, P.A.
Little Rock, Arkansas
July 21, 2026

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 72,619	\$ 40,491
Accounts receivable, net of allowance for doubtful accounts of \$140,858 and \$140,858 in 2025 and 2024, respectively	243,580	213,554
Total current assets	<u>316,199</u>	<u>254,045</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	586,489	539,982
Capital assets		
Water and sewer system	15,190,911	11,825,904
Less: accumulated depreciation	(7,796,329)	(7,597,380)
Total capital assets, net of accumulated depreciation	<u>7,394,582</u>	<u>4,228,524</u>
TOTAL ASSETS	<u>\$ 8,297,270</u>	<u>\$ 5,022,551</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 97,780	\$ 115,392
Accounts payable	349,978	12,172
Sales tax payable	6,003	5,695
Accrued interest payable	2,421	2,546
Accrued compensation	18,806	18,387
Other current liabilities	32,996	25,227
Total current liabilities	<u>507,984</u>	<u>179,419</u>
LONG-TERM DEBT, net of current maturities	<u>3,361,024</u>	<u>3,440,156</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	146,818	134,173
TOTAL LIABILITIES	<u>4,015,826</u>	<u>3,753,748</u>
NET POSITION		
Net investment in capital assets	3,935,778	672,976
Restricted	354,654	329,803
Unrestricted, (deficit)	(8,988)	266,024
TOTAL NET POSITION	<u>4,281,444</u>	<u>1,268,803</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,297,270</u>	<u>\$ 5,022,551</u>

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

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Water revenue	\$ 1,136,145	\$ 1,092,544
Sewer revenue	329,006	336,091
Other revenue	107,745	103,749
Total operating revenues	<u>1,572,896</u>	<u>1,532,384</u>
OPERATING EXPENSES		
Salaries	481,003	482,522
Payroll expenses	35,596	33,302
Insurance	158,561	153,644
Retirement	62,645	62,328
Fuel and auto expense	34,854	34,669
Depreciation	198,949	203,554
Waste water improvement plan	147,404	166,148
Repairs and maintenance	147,818	132,643
Office expense	27,902	24,526
Professional fees	55,216	43,263
Utilities	111,353	98,791
Licenses	5,650	2,526
Uniforms	-	451
Miscellaneous	20,228	18,978
Total operating expenses	<u>1,487,179</u>	<u>1,457,345</u>
OPERATING INCOME	<u>85,717</u>	<u>75,039</u>
NON-OPERATING REVENUES (EXPENSES)		
Gain on sale of capital assets	-	13,000
Grant income	3,040,297	32,485
Interest income	3,775	3,369
Interest expense	(122,273)	(126,209)
Other income	5,125	11,604
Bond issuance costs	-	(20,000)
Net non-operating revenues (expenses)	<u>2,926,924</u>	<u>(85,751)</u>
CHANGE IN NET POSITION	<u>3,012,641</u>	<u>(10,712)</u>
NET POSITION - BEGINNING OF YEAR	<u>1,268,803</u>	<u>1,279,515</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,281,444</u></u>	<u><u>\$ 1,268,803</u></u>

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

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,616,662	\$ 1,595,054
Cash payments for supplies	(522,072)	(876,147)
Cash payments to employees	(481,003)	(482,522)
Net cash provided by operating activities	<u>613,587</u>	<u>236,385</u>
Cash flows from investing activities:		
Interest received	<u>3,775</u>	<u>3,369</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,000)	(6,250)
Proceeds received from sale of capital assets	-	13,000
Construction in progress	(3,362,007)	(318,638)
Grant income received	3,040,297	32,485
Other income received	5,125	11,604
Proceeds from long-term debt	-	306,153
Bond issuance costs	-	(20,000)
Principal payments on long-term debt	(96,744)	(114,410)
Interest payments on long-term debt	(122,398)	(124,862)
Net cash used by financing activities	<u>(538,727)</u>	<u>(220,918)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,635	18,836
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>580,473</u>	<u>561,637</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 659,108</u>	<u>\$ 580,473</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 85,717	\$ 75,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	198,949	203,554
Increase in:		
Accounts receivable	(30,026)	(48,930)
Increase (Decrease) in:		
Accounts payable	337,806	(7,785)
Accrued sales tax	308	1,261
Customer meter deposits	12,645	13,324
Other current liabilities	8,188	(78)
	<u>527,870</u>	<u>161,346</u>
Net cash provided by operating activities	<u>\$ 613,587</u>	<u>\$ 236,385</u>

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

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Department is a component unit of the City of Brinkley, Arkansas with operations directed by a Board of Commissioners. The system serves property located within the corporate limits of the City of Brinkley and certain properties outside the city limits.

Basis of Presentation and Accounting

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

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

Estimates

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

Cash and Cash Equivalents

The Department considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value and bear interest ranging from 1.40% to 2.25%. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

	2025	2024
Cash	\$ 547,104	\$ 469,532
Certificates of deposit	112,004	110,941
	<u>\$ 659,108</u>	<u>\$ 580,473</u>

Inventories

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Commissioners adopt an annual budget for the Department. The budget of the Department is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperating income and expense items are not considered. All annual appropriations lapse at the fiscal year-end.

Leases

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

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Assets

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

<u>Asset</u>	<u>Years</u>
Automobile	5
Building	40
Building Improvements	7-40
Distribution Lines	7-40
Equipment	5-7
Fixtures	5
Pumps and Wells	5-10
Utility Plant	7-40

Long-Term Debt

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

Operating Revenues and Expenses

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

Equity Classifications

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted."

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Allowance for Bad Debts

The Department reduces the carrying amount of accounts receivable by an allowance for doubtful accounts that reflects the best estimate of the amounts that will not be collected. Based on the Department's assessment of the customer's current credit worthiness, they estimate the portion, if any, of the balance that will not be collected off receivables as a charge to allowance for doubtful accounts.

Based on the Department's assessment of credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year-end will be immaterial. The Department estimates a reserve amount for uncollectible accounts receivable due to non-payment, which is based on historical performance. The total allowance is \$140,858 and \$140,858 for the years ended December 31, 2025 and 2024, respectively.

Compensated Absences

Governmental Accounting Standards Board statement No. 101 requires employers to accrue a liability for future vacation and other leave benefits that meet all of the following conditions:

- a. The leave is attributable to services already rendered.
- b. The leave accumulates.
- c. The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Employees' vacation and holiday leave does accumulate and sick leave is not normally paid without an illness related absence. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination.

The Department's unused accrued vacation and other leave amounted to \$18,806 and \$18,387 and are recorded as current liabilities at December 31, 2025 and 2024, respectively.

Date of Management's Review

Subsequent events have been evaluated through July 21, 2026, which is the date the financial statements were available to be issued. Based on this evaluation, no events were identified that require disclosure or adjustment in the accompanying financial statements.

NOTE 2- RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for bond payments and a depreciation reserve (see Note 3).

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

	2025	2024
Meter deposits	\$ 146,484	\$ 134,751
Construction funds	8,922	71
Depreciation reserves	199,460	185,383
Debt service reserves	231,623	219,777
	<u>\$ 586,489</u>	<u>\$ 539,982</u>

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3- LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2025</u>	<u>2024</u>
Arkansas Natural Resources Revenue Bonds 97A02, due in semi-annual installments of \$21,292, including interest at 4.5%, through February 2026. (1)	\$ 18,680	\$ 39,092
Loan payable to USDA Rural Development, due in monthly installments of \$4,230, including interest at 4%, through January 2050. (2)	783,992	802,979
Loan payable to USDA Rural Development, due in monthly installments of \$3,820, including interest at 1.75%, through September 2054. (3)	1,043,270	1,070,594
Loan payable to CoBank, due in monthly installments of \$8,246, including interest at 5.21% through May 2048. (4)	1,306,709	1,336,730
Arkansas Natural Resources Revenue Bonds 2024A, due in monthly installments of \$1,513 beginning April 2027, including interest at 0.75%, through March 2047. (5)	<u>306,153</u>	<u>306,153</u>
	3,458,804	3,555,548
Less: current portion	<u>(97,780)</u>	<u>(115,392)</u>
Long-term portion	<u>\$ 3,361,024</u>	<u>\$ 3,440,156</u>

- (1) The revenue bonds have restrictive covenants, including the requirements to begin accumulating a depreciation reserve in monthly installments of \$313, beginning in May 1999.
- (2) The loan has restrictive covenants, including the requirement to begin accumulating a debt service reserve in monthly installments of \$438, until the reserve reaches \$52,860.
- (3) The loan has restrictive covenants, including the requirement to begin accumulating a debt service reserve in monthly installments of \$382, until the reserve reaches \$45,840. In addition to the debt service reserve, the loan also has requirements to begin accumulating a short-lived asset replacement reserve in monthly installments of \$1,367, until the reserve reaches \$176,000.
- (4) The loan has no known restrictive covenants.
- (5) The revenue bonds have restrictive covenants, including the requirements to begin accumulating a depreciation reserve in monthly installments of 6% of gross revenues, until the reserve reaches \$122,461.

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 - LONG-TERM DEBT (continued):

Annual maturities of long-term debt at December 31, 2025 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 97,780	\$ 116,874	\$ 214,654
2027	91,900	117,269	209,169
2028	98,400	115,307	213,707
2029	101,800	111,907	213,707
2030	105,400	108,307	213,707
2031-2035	587,400	481,135	1,068,535
2036-2040	705,000	363,535	1,068,535
2041-2045	850,800	217,735	1,068,535
2046-2050	641,491	56,570	698,061
2051-2054	178,833	6,715	185,548
	<u>\$ 3,458,804</u>	<u>\$ 1,695,354</u>	<u>\$ 5,154,158</u>

Long-term liability activity for the years ended December 31, 2025 and 2024 is as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>12/31/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/25</u>	<u>One Year</u>
Long Term Debt					
Loans	\$ 3,210,303	\$ -	\$ (76,332)	\$ 3,133,971	\$ 18,680
Water Revenue Bonds	345,245	-	(20,412)	324,833	79,100
	<u>\$ 3,555,548</u>	<u>\$ -</u>	<u>\$ (96,744)</u>	<u>\$ 3,458,804</u>	<u>\$ 97,780</u>

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>12/31/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/24</u>	<u>One Year</u>
Long Term Debt					
Loans	\$ 3,285,227	\$ -	\$ (74,924)	\$ 3,210,303	\$ 76,300
Water Revenue Bonds	78,578	306,153	(39,486)	345,245	39,092
	<u>\$ 3,363,805</u>	<u>\$ 306,153</u>	<u>\$ (114,410)</u>	<u>\$ 3,555,548</u>	<u>\$ 115,392</u>

The Department has pledged future water customer revenues, net of specified operating expenses, to repay \$3,458,804 in loans and revenue bonds. Proceeds from the loans/bonds were used for building of the Department's water and sewer system. Principal and interest on the bonds are payable through 2054, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2025 were \$96,744 and \$122,398, respectively. Principal and interest paid in the year ended December 31, 2024 were \$114,410 and \$124,862, respectively.

CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2025 and 2024 is as follows:

	Balance 12/31/2024	Additions	Disposals / Transfers	Balance 12/31/2025
Automobile	\$ 246,934	\$ 3,000	\$ -	\$ 249,934
Building	875,710	-	-	875,710
Building Improvements	73,937	-	-	73,937
Distribution Lines	4,303,610	-	-	4,303,610
Equipment	1,277,593	-	-	1,277,593
Fixtures	18,597	-	-	18,597
Land	40,370	-	-	40,370
Pumps and Wells	557,561	-	-	557,561
Utility Plant	4,112,954	-	-	4,112,954
Construction in Progress	318,638	3,362,007	-	3,680,645
	11,825,904	\$ 3,365,007	\$ -	15,190,911
Less: Accumulated Depreciation	(7,597,380)			(7,796,329)
Total Capital Assets	\$ 4,228,524			\$ 7,394,582

	Balance 12/31/2023	Additions	Disposals / Transfers	Balance 12/31/2024
Automobile	\$ 257,021	\$ 6,250	\$ (16,337)	\$ 246,934
Building	875,710	-	-	875,710
Building Improvements	73,937	-	-	73,937
Distribution Lines	4,303,610	-	-	4,303,610
Equipment	1,277,593	-	-	1,277,593
Fixtures	18,597	-	-	18,597
Land	40,370	-	-	40,370
Pumps and Wells	557,561	-	-	557,561
Utility Plant	4,112,954	-	-	4,112,954
Construction in Progress	-	318,638	-	318,638
	11,517,353	\$ 324,888	\$ (16,337)	11,825,904
Less: Accumulated Depreciation	(7,410,163)			(7,597,380)
Total Capital Assets	\$ 4,107,190			\$ 4,228,524

NOTE 5 –PUBLIC DEPARTMENTS: DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the Department’s name. As of December 31, 2025, deposited funds were adequately insured and collateralized.

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 6 – PENSION PLAN:

Plan Description. The Department contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 6% as of July 1, 2025. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The Department's contributions to APERS for the years ending December 31, 2025 and 2024 were \$62,645 and \$62,328, respectively.

Requirements. GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which establishes standards for public pension plan obligations for participating employers. A cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal, but would be included in the government wide financial statements and not the individual fund financial statements.

NOTE 7 – COMMITMENTS:

The Department started a construction project to improve the water plant during the year ended December 31, 2024. The Department has entered into a contract with an engineering contractor for the amount of \$483,451. As of December 31, 2025 the Department has incurred costs of \$340,360 on this contract. The Department has entered into a contract with a construction contractor for the amount of \$4,395,000. As of December 31, 2025 the Department has incurred costs of \$3,340,286 on this contract.

The Department was awarded \$3,673,838 in grant funds as part of the American Rescue Plan Act, to help with rehab and regionalization project for the Department's water plant. As of December 31, 2025, \$2,154,322 had been received.

The Department was awarded \$918,460 in Series B 2024 forgivable bonds during the year ended December 31, 2024, to help with improvements to the water treatment system. As of December 31, 2025, the full amount of \$918,460 had been received.

SUPPLEMENTARY INFORMATION



**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 Commission
City of Brinkley Water and Sewer Department
Brinkley, 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 City of Brinkley Water and Sewer Department, ("Department"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Brinkley Water and Sewer Department's basic financial statements and have issued our report thereon dated July 21, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001, 2025-002, and 2025-003 that we consider to be significant deficiencies.

Members of the Commission
City of Brinkley Water and Sewer Department
Page 2

Report on Compliance and Other Matters

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

Departments' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described in the accompanying schedule of findings. The Department's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Berry & Associates, P.A.
Little Rock, Arkansas
July 21, 2026

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2025**

2025-001 Internal Control – Segregation of Duties

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

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2024.

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

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

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

View of Responsible Officials: The Department concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Department has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

2025-002 Internal Control – Complete set of accounting records

Criteria: Maintaining a complete set of accounting records.

Condition: At December 31, 2025 the Department's general ledger did not include the current year's transactions for one account that is administered by a third party and is a material part of the financial statements.

Cause: The Department did not properly record transactions and maintain accounting records.

Effect or Potential Effect: General ledger accounts were not properly accounted for in the Department's internal financial statements. With these accounts missing, it does not permit the preparation of accurate and reliable financial statements.

Recommendation: We recommend that management of the Department properly records all transactions and appropriately maintains all accounting records in a timely manner.

View of Responsible Officials: The Department concurs with the recommendation.

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2025**

2025-003 Internal Control – Bank Reconciliation

Criteria: Bank reconciliations should be accurately prepared each month, with all reconciling items properly supported and any differences between the book and bank balances traced to actual transactions recorded in the general ledger.

Condition: During our audit, we noted that the Operating Fund bank reconciliations were not properly prepared. We received multiple reconciliations for December 2025, each reflecting a different forced amount, which was used to make the reconciliation balance. These forced amounts were unsupported by actual transactions. While generally not recorded in the general ledger, one noted instance was recorded in the general ledger, but never cleared the bank statement. Additionally, we noted a transaction marked as cleared on the December 2025 bank reconciliation that did not actually clear the bank account until January 2026.

Cause: The Department did not consistently follow a formal bank reconciliation process, and reconciling differences were forced to balance rather than investigated and resolved.

Effect or Potential Effect: Without properly prepared bank reconciliations, errors or irregularities in cash may not be detected on a timely basis, and the general ledger may not accurately reflect the Department's true cash position. This increases the risk of misstatement in the financial statements.

Recommendation: We recommend that management prepare monthly bank reconciliations that agree to the general ledger without the use of unsupported forced amounts, and that all monthly bank reconciliations are approved by someone other than the person preparing the reconciliation reports. All reconciling items should be identified, supported, and resolved timely, and transactions should only be marked as cleared once they have actually cleared the bank account.

View of Responsible Officials: The Department concurs with the recommendation.

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
December 31, 2025**

MEMBERS OF THE COMMISSION:

<u>Names</u>	<u>Title</u>
Damon McMillion	Chairman
Mark Medford	Commissioner
P.K. Norman	Commissioner
Timothy Harvey	Commissioner
Carl Frein	Commissioner

WATER AND SEWER RATE SCHEDULES:

<u>WATER RATES</u>	<u>PER 1,000 GALLONS</u>
RESIDENTIAL AND COMMERCIAL:	
Inside City Limits:	
0-1,000 gallons	\$ 22.98 minimum
Next 6,500 gallons	\$ 5.37 per 1,000 gallons
Next 8,000 gallons	\$ 4.21 per 1,000 gallons
Next 15,000 gallons	\$ 3.98 per 1,000 gallons
Next 100,000 gallons	\$ 3.83 per 1,000 gallons
All over 130,500 gallons	\$ 3.37 per 1,000 gallons
Outside City Limits:	
0-1,000 gallons	\$ 22.98 minimum
Next 6,500 gallons	\$ 5.37 per 1,000 gallons
Next 8,000 gallons	\$ 4.21 per 1,000 gallons
Next 15,000 gallons	\$ 3.98 per 1,000 gallons
Next 100,000 gallons	\$ 3.83 per 1,000 gallons
All over 130,500 gallons	\$ 3.37 per 1,000 gallons
Highway 70 Southwest (Rural):	
0-1,000 gallons	\$ 33.92 minimum
Next 6,500 gallons	\$ 5.37 per 1,000 gallons
Next 8,000 gallons	\$ 4.21 per 1,000 gallons
Next 15,000 gallons	\$ 3.98 per 1,000 gallons
Next 100,000 gallons	\$ 3.83 per 1,000 gallons
All over 130,500 gallons	\$ 3.37 per 1,000 gallons
Minimum Rates Inside and Outside City Limits (Meters Larger than 5/8"):	
3/4 inch	\$ 29.11 minimum
1 inch	\$ 30.64 minimum
1 1/2 inch	\$ 45.96 minimum
2 inch	\$ 84.25 minimum
3 inch	\$ 130.21 minimum
4 inch	\$ 183.82 minimum

**CITY OF BRINKLEY WATER AND SEWER DEPARTMENT
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT,
(Continued)
December 31, 2025**

WATER AND SEWER RATE SCHEDULES (continued):

<u>SEWER RATES</u>	<u>PER 1,000 GALLONS</u>
RESIDENTIAL AND COMMERCIAL:	
0-1,000 gallons of water used	\$ 11.80
All over 1,000 gallons	\$ 2.75

As of December 31, 2025, water and sewer service was provided to 1,491 and 1,284 active users, respectively.

ACCOUNTING:

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

Reserve accounts are being properly maintained.

INSURANCE SCHEDULE:

<u>POLICY NO.</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	
3A4 - 36 - 98 - 20	EMC Insurance Companies	Building, Personal Property	\$ 7,624,500
FBTF10	AR Govt. Bonding Board	Blanket Fidelity Bond	\$ 250,000
	Arkansas Municipal League	Vehicles	\$ 591,484