

## LETTER OF COMPLETION

1. August 6, 2026
2. Ward Water & Sewer System
3. The audit report covered the calendar year 2025
4. The audit report was dated July 28, 2026
5. Contact Person:  
Charles Gastineau  
P.O. Box 237  
Ward, AR 72176
6. Auditor:  
Jesse Whitmire  
Whitmire & Co., CPA  
249 Eagle Mountain Blvd, Suite 300  
Batesville, AR 72501
7.   
Auditor Signature

**WARD WATER AND SEWER SYSTEM  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024**

## CONTENTS

### Financial Statements

|                                                              |       |
|--------------------------------------------------------------|-------|
| Independent Auditors' Report                                 | 3-6   |
| Statements of Net Position                                   | 7-8   |
| Statements of Revenues, Expenses and Changes in Net Position | 9     |
| Statements of Cash Flows                                     | 10-11 |
| Notes to Financial Statements                                | 12-30 |

### Supplemental Schedules

|                                                                                                                                                                                                              |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Schedule of Revenue, Expenses and Changes in Net Position by Fund                                                                                                                                            | 31    |
| Statements of Revenues, Expenses and Changes in Net Position (Budget and Actual)                                                                                                                             | 32    |
| Insurance Coverage                                                                                                                                                                                           | 33    |
| Sewer Rate Information                                                                                                                                                                                       | 34    |
| Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 35-36 |

### Required Supplementary Information

|                                                                                              |    |
|----------------------------------------------------------------------------------------------|----|
| Schedule of the Water and Sewer System's Proportionate Share of the<br>Net Pension Liability | 37 |
| Schedule of the Water and Sewer System's Contributions to Pension Plan                       | 38 |

# **WHITMIRE, ROBINSON & CO., CPA, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

JESSE WHITMIRE, CPA  
SHARON ROBINSON, CPA

200 PSE DRIVE  
NEWPORT, AR 72112

249 EAGLE MOUNTAIN BLVD. SUITE 300  
BATESVILLE, AR 72501

PHONE (870) 523-4346  
FAX (870) 523-4352  
PHONE (870) 698-1203  
FAX (870) 698-0295

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Council Members  
City of Ward, Arkansas

### **Opinions**

We have audited the accompanying financial statements of the business type activities of Ward Water and Sewer System of the City of Ward, AR, as of and for the year ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Ward Water and Sewer System'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 business type activities of Ward Water and Sewer System of the City of Ward, Arkansas as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 Ward Water and Sewer's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, 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 combined 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 Ward Water and Sewer System, City of Ward Arkansas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ward Water and Sewer System, City of Ward, Arkansas's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Management has omitted *Management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ward Water and Sewer System's basic financial statements. The supplementary information on pages 31-34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information on pages 31-34 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Ward Water and Sewer System, City of Ward, Arkansas, and are not intended to present fairly the net position and results of

operations of the City of Ward, Arkansas, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2026 on our consideration of the Ward Water and Sewer System, City of Ward, Arkansas's internal control over financial reporting and 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 the 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 Ward Water and Sewer System, City of Ward, Arkansas's internal control over financial reporting and compliance.

Whitmire, Robinson & Co.  
Batesville, Arkansas  
July 28, 2026

**Ward Water and Sewer System**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

|                                                      | <u>2025</u>          | <u>2024</u>          |
|------------------------------------------------------|----------------------|----------------------|
| <b>Current Assets</b>                                |                      |                      |
| Cash on hand and in banks (Note 3)                   | \$ 1,637,142         | \$ 868,568           |
| Accounts receivable, net allowance for credit losses | 415,714              | 376,810              |
| Unbilled Revenue                                     | 250,826              | 250,639              |
| Prepaid Insurance                                    | 13,638               | -                    |
| Inventory                                            | 59,990               | 104,603              |
| <b>Total Current Assets</b>                          | <u>2,377,310</u>     | <u>1,600,620</u>     |
| <b>Noncurrent Assets</b>                             |                      |                      |
| Certificates of Deposit                              | <u>3,283,265</u>     | <u>3,149,018</u>     |
| <b>Restricted Assets</b>                             |                      |                      |
| Debt Service Funds (Note 5)                          | <u>1,115,844</u>     | <u>976,809</u>       |
| <b>Total Restricted Assets</b>                       | <u>1,115,844</u>     | <u>976,809</u>       |
| <b>Capital Assets: (Note 2)</b>                      |                      |                      |
| Land                                                 | 365,732              | 365,232              |
| Other capital assets, net accumulated depreciation   | <u>12,698,553</u>    | <u>12,746,180</u>    |
| <b>Total Capital Assets</b>                          | <u>13,064,285</u>    | <u>13,111,412</u>    |
| <b>Total Noncurrent Assets</b>                       | <u>17,463,394</u>    | <u>17,237,239</u>    |
| <b>Deferred Outflows related to pension (Note 8)</b> | 117,080              | 139,476              |
| <b>Deferred Outflows (Note 9)</b>                    | <u>226,482</u>       | <u>248,446</u>       |
| <b>Total Deferred Outflows</b>                       | <u>343,562</u>       | <u>387,922</u>       |
| <b>Total Assets</b>                                  | <u>\$ 20,184,266</u> | <u>\$ 19,225,781</u> |

See accompanying notes to financial statements.

**Ward Water and Sewer System**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

|                                               | <u>2025</u>          | <u>2024</u>          |
|-----------------------------------------------|----------------------|----------------------|
| <b>Current Liabilities</b>                    |                      |                      |
| Accounts payable                              | \$ 188,255           | \$ 48,182            |
| Other Current Liabilities                     | 50,348               | 91,450               |
| Compensated Absences                          | 20,307               | 21,177               |
| Accrued Interest payable (Note 6)             | 27,681               | 29,456               |
| Current maturities of long-term debt (Note 6) | 347,803              | 345,586              |
| <b>Total Current Liabilities</b>              | <u>634,394</u>       | <u>535,851</u>       |
| <b>Noncurrent Liabilities</b>                 |                      |                      |
| Meter Deposits                                | 3,690                | -                    |
| Bonds Payable, less current maturities        | 9,288,516            | 9,638,012            |
| Net Pension Liability (Note 8)                | 615,044              | 705,008              |
| <b>Total Noncurrent Liabilities</b>           | <u>9,907,250</u>     | <u>10,343,020</u>    |
| <b>Deferred Inflows related to pension</b>    | <u>61,850</u>        | <u>34,855</u>        |
| <b>Total Liabilities</b>                      | <u>10,603,494</u>    | <u>10,913,726</u>    |
| <b>Net Position</b>                           |                      |                      |
| Invested in capital assets                    | 3,427,966            | 3,127,814            |
| Restricted                                    | 1,115,844            | 976,809              |
| Unrestricted                                  | 5,036,962            | 4,207,432            |
| <b>Total Net Position</b>                     | <u>9,580,772</u>     | <u>8,312,055</u>     |
| <b>Total Liabilities and Net Position</b>     | <u>\$ 20,184,266</u> | <u>\$ 19,225,781</u> |

See accompanying notes to financial statements.

**Ward Water And Sewer System**  
**Statements of Revenue, Expenses and Changes in Net Position**  
**December 31, 2025 and 2024**

|                                                  | <u>2025</u>         | <u>2024</u>         |
|--------------------------------------------------|---------------------|---------------------|
| <b>Operating Revenue</b>                         |                     |                     |
| Water revenue                                    | \$ 3,238,011        | \$ 2,916,994        |
| Sewer revenue                                    | 1,176,757           | 1,106,540           |
| Meter installation and line extensions           | 84,546              | 48,579              |
| Water reconnection fees                          | 105,055             | 116,517             |
| Delinquent penalties                             | 87,617              | 81,925              |
| Miscellaneous revenue                            | 437,264             | 290,800             |
| <b>Total Operating Revenue</b>                   | <u>5,129,250</u>    | <u>4,561,355</u>    |
| <b>Operating Expenses</b>                        |                     |                     |
| Salaries                                         | 791,133             | 796,187             |
| Pension                                          | 77,829              | 128,365             |
| Repairs & maintenance                            | 226,620             | 98,849              |
| Waste Removal                                    | 110,944             | 115,146             |
| Materials and supplies                           | 223,867             | 112,163             |
| Purchased water                                  | 376,603             | 358,204             |
| Utilities                                        | 202,018             | 173,059             |
| Telephone                                        | 22,744              | 21,710              |
| Professional fees                                | 87,244              | 66,433              |
| Insurance and bonds                              | 238,769             | 212,723             |
| Payroll taxes                                    | 60,211              | 57,323              |
| Truck expense                                    | 25,748              | 29,145              |
| Depreciation and amortization                    | 683,566             | 561,204             |
| Office expense                                   | 74,818              | 76,560              |
| Other operating expense                          | 489,708             | 400,990             |
| Bond fees                                        | 4,605               | 4,733               |
| Bad debts                                        | 19,395              | -                   |
| Franchise fees                                   | 108,176             | 102,842             |
| <b>Total Operating Expenses</b>                  | <u>3,823,998</u>    | <u>3,315,636</u>    |
| <b>Net (Loss) Income from Operations</b>         | <u>1,305,252</u>    | <u>1,245,719</u>    |
| <b>Nonoperating Revenues (Expenses)</b>          |                     |                     |
| Interest Income                                  | 170,335             | 181,061             |
| Interest expense                                 | (206,870)           | (215,699)           |
| Insurance reimbursements for damages             | -                   | 210,586             |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <u>(36,535)</u>     | <u>175,948</u>      |
| <b>Changes in Net Position</b>                   | <u>1,268,717</u>    | <u>1,421,667</u>    |
| <b>Net Position, Beginning</b>                   | 8,312,055           | 5,539,330           |
| <b>Capital Contributions from City (Note 14)</b> |                     | 1,351,058           |
| <b>Net Position, Ending</b>                      | <u>\$ 9,580,772</u> | <u>\$ 8,312,055</u> |

See accompanying notes to financial statements.

**Ward Water And Sewer System**  
**Statements of Cash Flows**  
**December 31, 2025 and 2024**

|                                                                       | <u>2025</u>         | <u>2024</u>         |
|-----------------------------------------------------------------------|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>                           |                     |                     |
| Cash received from customers                                          | \$ 4,652,895        | \$ 4,169,161        |
| Other operating revenue                                               | 437,264             | 290,800             |
| <b>Total Receipts</b>                                                 | <u>5,090,159</u>    | <u>4,459,961</u>    |
| Cash payments to employees and fringe benefits                        | 986,467             | 958,746             |
| Cash payments to suppliers of goods and services                      | 2,129,183           | 1,804,697           |
| <b>Total Disbursements</b>                                            | <u>3,115,650</u>    | <u>2,763,443</u>    |
| <b>Net Cash Provided by Operating Activities</b>                      | <u>1,974,509</u>    | <u>1,696,518</u>    |
| <b>Cash Flows From Investing Activities</b>                           |                     |                     |
| Interest Income                                                       | 170,335             | 185,542             |
| <b>Net Cash Provided by Investing Activities</b>                      | <u>170,335</u>      | <u>185,542</u>      |
| <b>Cash Flows From Noncapital Financing Activities</b>                |                     |                     |
| Meter deposits                                                        | 3,690               | (49,045)            |
| <b>Net Cash Provided by (Used In) Noncapital Financing Activities</b> | <u>3,690</u>        | <u>(49,045)</u>     |
| <b>Cash Flows From Capital and Related Financing Activities</b>       |                     |                     |
| Purchase of fixed assets                                              | (551,835)           | (1,032,137)         |
| Payment on long-term debt principal                                   | (347,569)           | (340,399)           |
| Insurance proceeds                                                    |                     | 210,586             |
| Interest paid                                                         | (207,274)           | (216,973)           |
| Maturity of CD's                                                      | -                   | 1,000,000           |
| Deposit to CD's                                                       | -                   | (1,000,000)         |
| Interest earned on certificate of deposit                             | (134,247)           | (153,182)           |
| <b>Net Cash Used in Financing Activities</b>                          | <u>(1,240,925)</u>  | <u>(1,532,105)</u>  |
| <b>Net Increase (Decrease) in Cash</b>                                | 907,609             | 300,910             |
| <b>Cash, Beginning of Year</b>                                        | <u>1,845,377</u>    | <u>1,544,467</u>    |
| <b>Cash, End of Year</b>                                              | <u>\$ 2,752,986</u> | <u>\$ 1,845,377</u> |
| <b>Presented on Statement of Net Position as follows:</b>             |                     |                     |
| Cash and cash equivalents                                             | \$ 1,637,142        | \$ 868,568          |
| Restricted cash and cash equivalents                                  | \$ 1,115,844        | \$ 976,809          |
|                                                                       | <u>\$ 2,752,986</u> | <u>\$ 1,845,377</u> |

See accompanying notes to financial statements.

**Ward Water and Sewer System  
Statements of Cash Flows  
December 31, 2024 and 2023**

|                                                                                                    | <u>2025</u>         | <u>2024</u>         |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                                                        |                     |                     |
| Increase (Decrease) in net assets before addition to membership equities and capital contributions | \$ 1,305,252        | \$ 1,245,719        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:        |                     |                     |
| Depreciation and amortization                                                                      | 683,566             | 561,204             |
| Increase or decrease in:                                                                           |                     |                     |
| Accounts receivable                                                                                | (38,904)            | (82,909)            |
| Unbilled Revenue                                                                                   | (187)               | (18,485)            |
| Accounts payable and other current liabilities                                                     | 35,250              | (2,103)             |
| Pension Liabilities, deferred inflows, and deferred outflows                                       | (40,573)            | 7,717               |
| Prepaid Insurance                                                                                  | (13,638)            | -                   |
| Inventory                                                                                          | 44,613              | (24,176)            |
| Compenstated Absences                                                                              | (870)               | 9,551               |
| <b>Net Cash Provided by Operating Activities</b>                                                   | <u>\$ 1,974,509</u> | <u>\$ 1,696,518</u> |

**Supplemental Disclosure:**

Water meters with a cost of \$1,351,058 were transferred from the City of Ward to the water department in 2024.

See accompanying notes to financial statements.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**Note 1 - Summary of Significant Accounting Policies**

**a. Reporting Entity**

The Ward Water and Sewer System is considered to be a component unit enterprise of the City of Ward, Arkansas. The System oversees, under the direction of the Mayor and City Council, the water and sewer utility services for residents of Ward.

**b. Basis of Accounting**

Under the Governmental Accounting Standards Board (GASB) Statement No. 62, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Ward Water and Sewer System has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Ward Water and Sewer System is a proprietary enterprise fund and maintains its accounts on the accrual basis of accounting. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

These financial statements present only the Water and Sewer System and are not intended to present the financial position and results of operations of the City of Ward, Arkansas, in conformity with generally accepted accounting principles.

**c. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include time deposits on instruments with original maturities of six months or less.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**d. Accounts Receivable**

Accounts receivable consist of credit extended to users in the normal course of business. Ward Water and Sewer System uses the allowance method to account for uncollectible accounts receivable. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance accounts. The policy for determining when receivables are past due or delinquent is based on how recently payments have been received. Management uses significant judgment in estimating uncollectible amounts. While management believes that Ward Water and Sewer System's processes effectively address its exposure to credit losses, changes in economic, industry or specific customer conditions may require adjustment to any allowance recorded by Ward Water and Sewer System.

**e. Inventory**

Inventories are stated at lower of cost (first-in, first-out method) or net realizable value and consist of items on hand used in the day to day operations of the system.

**f. Depreciation**

All fixed assets have been recorded at cost and are depreciated over the estimated useful lives of the assets. Repairs and maintenance are expensed currently while system extensions and major replacements are capitalized.

Depreciation is currently being provided for using the straight-line method for:

|                                |          |
|--------------------------------|----------|
| Water and sewer system         | 40 years |
| Buildings                      | 20 years |
| Office furniture and equipment | 10 years |
| Tools and equipment            | 5 years  |
| Service vehicles               | 3 years  |

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**g. Use of Estimates**

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

**h. Taxes**

Ward Water and Sewer System is exempt from federal income taxes under Code Section 501(c)(1)

**i. Risk Management**

The Board is exposed to various risks of loss related to property and casualty losses. It is the policy of the Ward Water and Sewer System to purchase commercial insurance, including workers' compensation, for the risks of loss to which it is exposed. Under this arrangement, the Board assumes the risk for the amount of loss where risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

**j. Concentrations**

Ward Water and Sewer System grants credit for water sales to its members, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The collectibility of Ward Water and Sewer System's receivables is dependent upon its members' ability to honor their water bill obligations.

**k. Deferred Outflows of Resources**

In addition to assets, the accompanying statements of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense/expenditure until then. Ward Water and Sewer System has only one type of item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the accompanying statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**l. Net Position**

The net position of Ward Water and Sewer System is classified in the following three components. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by outstanding balance of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to Ward Water and Sewer System. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of “net investment in capital assets” or “restricted net position.”

**m. Revenue Recognition**

Ward Water and Sewer System recognizes revenue as water and wastewater services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. The utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average usage of the prior month. Actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to estimates is determined.

Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes that are collected on behalf of government authorities, concurrent with revenue-producing activities, are primarily excluded from revenue.

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 2 - Capital Assets**

**Water**

|                          | <b>Balance<br/>12/31/24</b> | <b>Additions</b>        | <b>Reductions</b>   | <b>Balance<br/>12/31/25</b> |
|--------------------------|-----------------------------|-------------------------|---------------------|-----------------------------|
| Land                     | \$324,696                   | \$500                   |                     | \$325,196                   |
| Water System             | 9,524,935                   | 593,256                 |                     | 10,118,191                  |
| Building                 | 359,841                     | 21,800                  |                     | 381,641                     |
| Equipment                | 797,452                     |                         |                     | 797,452                     |
| Furniture and fixtures   | 49,377                      |                         |                     | 49,377                      |
| Software                 | 17,050                      |                         |                     | 17,050                      |
| Twenty year plan         | 38,106                      |                         |                     | 38,106                      |
|                          | <u>11,111,457</u>           | <u>615,556</u>          |                     | <u>11,727,013</u>           |
| Accumulated Depreciation | (4,894,456)                 | (340,354)               |                     | (5,234,810)                 |
| Accumulated Amortization | (32,388)                    | (1,907)                 |                     | (34,295)                    |
|                          | <u><u>\$6,184,613</u></u>   | <u><u>\$273,295</u></u> | <u><u>\$-0-</u></u> | <u><u>\$6,457,908</u></u>   |

  

|                          | <b>Balance<br/>12/31/23</b> | <b>Additions</b>          | <b>Reductions</b>   | <b>Balance<br/>12/31/24</b> |
|--------------------------|-----------------------------|---------------------------|---------------------|-----------------------------|
| Land                     | \$321,850                   | \$2,846                   |                     | \$324,696                   |
| Water System             | 7,826,065                   | 1,698,870                 |                     | 9,524,935                   |
| Building                 | 212,613                     | 147,228                   |                     | 359,841                     |
| Equipment                | 726,644                     | 70,808                    |                     | 797,452                     |
| Furniture and fixtures   | 49,377                      |                           |                     | 49,377                      |
| Software                 | 17,050                      |                           |                     | 17,050                      |
| Twenty year plan         | 38,106                      |                           |                     | 38,106                      |
|                          | <u>9,191,705</u>            | <u>1,919,752</u>          |                     | <u>11,111,457</u>           |
| Accumulated Depreciation | (4,665,371)                 | (229,085)                 |                     | (4,894,456)                 |
| Accumulated Amortization | (30,483)                    | (1,905)                   |                     | (32,388)                    |
|                          | <u><u>\$4,495,851</u></u>   | <u><u>\$1,688,762</u></u> | <u><u>\$-0-</u></u> | <u><u>\$6,184,613</u></u>   |

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 2 - Capital Assets (continued)**

**Sewer**

|                          | <b>Balance</b>     |                    |                   | <b>Balance</b>     |
|--------------------------|--------------------|--------------------|-------------------|--------------------|
|                          | <b>12/31/24</b>    | <b>Additions</b>   | <b>Reductions</b> | <b>12/31/25</b>    |
| Land                     | \$40,536           |                    |                   | \$40,536           |
| Sewer System             | 10,644,827         |                    |                   | 10,644,827         |
| Building                 | 17,730             |                    |                   | 17,730             |
| Equipment                | 104,174            |                    |                   | 104,174            |
|                          | 10,807,267         |                    |                   | 10,807,267         |
| Accumulated Depreciation | (3,880,468)        | (\$320,422)        |                   | (4,200,890)        |
|                          | <u>\$6,926,799</u> | <u>(\$320,422)</u> | <u>\$-0-</u>      | <u>\$6,606,377</u> |

|                          | <b>Balance</b>     |                  |                   | <b>Balance</b>     |
|--------------------------|--------------------|------------------|-------------------|--------------------|
|                          | <b>12/31/23</b>    | <b>Additions</b> | <b>Reductions</b> | <b>12/31/24</b>    |
| Land                     | \$35,536           | \$5,000          |                   | \$40,536           |
| Sewer System             | 10,174,597         | 470,230          |                   | 10,644,827         |
| Building                 | 24,017             |                  | (\$6,287)         | 17,730             |
| Equipment                | 109,674            |                  | (5,500)           | 104,174            |
|                          | 10,343,824         | 475,230          | (11,787)          | 10,807,267         |
| Accumulated Depreciation | (3,571,723)        | (308,745)        |                   | (3,880,468)        |
|                          | <u>\$6,772,101</u> | <u>\$166,485</u> | <u>(\$11,787)</u> | <u>\$6,926,799</u> |

The policy of Ward Water and Sewer System is to capitalize assets with a cost in excess of \$2,500 and Information Technology equipment with a cost in excess of \$500.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 3 - Cash on Hand and in Banks**

Cash on hand and in banks consists of the following:

|                                | <u>2025</u>        |                 | <u>2024</u>      |                 |
|--------------------------------|--------------------|-----------------|------------------|-----------------|
|                                | <u>Water</u>       | <u>Sewer</u>    | <u>Water</u>     | <u>Sewer</u>    |
| Cash on hand                   | \$100              |                 | \$100            |                 |
| Revenue fund                   | 1,137,540          |                 | 453,659          |                 |
| Operation and maintenance fund | 17,400             |                 | 16,351           |                 |
| Payroll                        | 24,841             |                 | 43,387           |                 |
| Special Fund                   | 9,534              |                 | 35,454           |                 |
| Depreciation Fund              | 371,215            | \$76,512        | 273,285          | \$46,332        |
|                                | <u>\$1,560,630</u> | <u>\$76,512</u> | <u>\$822,236</u> | <u>\$46,322</u> |

**Note 4 - Certificates of Deposit**

Water

|             | <u>2025</u>        | <u>2024</u>        |
|-------------|--------------------|--------------------|
| Bank of OZK | \$3,283,265        | \$3,149,018        |
|             | <u>\$3,283,265</u> | <u>\$3,149,018</u> |

**Note 5 - Restricted Cash Reserves**

Restricted cash reserves consist of the following:

|                        | <u>2025</u>      |                  | <u>2024</u>      |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | <u>Water</u>     | <u>Sewer</u>     | <u>Water</u>     | <u>Sewer</u>     |
| Short lived asset      |                  | \$97,812         |                  | \$97,323         |
| Debt service reserve   |                  | 190,839          |                  | 189,887          |
| 2021 bond fund reserve | \$827,193        |                  | \$689,599        |                  |
|                        | <u>\$827,193</u> | <u>\$288,651</u> | <u>\$689,599</u> | <u>\$287,210</u> |

The bond debt service reserves are restricted funds held by the respective bond paying agents for future payment on the respective bonds. Bond construction funds are restricted funds held for future payments of the system expansion.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 5 - Restricted Cash Reserves (continued)**

Ward Water and Sewer System has certain covenants related to all revenue bonds and, as part of these bond agreements, are required to maintain the following bank accounts:

- a. **Bond fund and debt service accounts** - Ward Water and Sewer System is required to deposit into the bond fund account each month an amount sufficient to pay 1/12 of the annual principal installment and 1/6 of the annual interest installment next becoming due. In addition, Ward Water and Sewer System shall maintain in the debt service account an amount equal to one half of the maximum annual principal and interest requirements for the 2021 Bond Series. Should the debt service reserve become impaired or be reduced below the Required Level, Ward Water and Sewer System shall make additional monthly payments from the revenue fund until the impairment or reduction is corrected within a 12 month period.

**Note 6 - Long Term Debt**

On September 21, 2021, the City of Ward, Arkansas Water and Sewer issued \$6,495,000 in Water and Sewer Revenue Refunding Bonds, Series 2021, with interest rates ranging from 1.0% to 2.375%, with a weighted average interest rate of 2.0643% to refund \$900,673 of outstanding 2017 Series bonds and \$6,223,784 in 2016 Series bonds. The final maturities of these bonds will be due April 1, 2051.

The proceeds were utilized as follows:

|                                                |                     |
|------------------------------------------------|---------------------|
| Proceeds of bond issue                         | \$6,495,000         |
| Original issue discount                        | (8,687)             |
| Other bond issue costs                         | (197,130)           |
| Payoff of 2017 bonds and interest              | (900,673)           |
| Deposits from 2016 and 2017 debt reserve funds | 835,274             |
| Payoff 2016 bonds and interest                 | (6,223,784)         |
| Remaining funds                                | <u><u>\$-0-</u></u> |

Bond issue costs of \$197,130 were expensed as required by GASB 65.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 6 - Long Term Debt (continued)**

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,721. The difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2051 as a component of interest expense. Ward Water and Sewer completed the current refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain of \$732,596.

The present value benefit of the difference between the debt service payments for the 2021 bond issue as compared to the 2016 and 2017 bonds issues was calculated using the weighted average rate of 2.0643%. The present value of the 2021 debt service payments was \$8,188,630, and the present value of the debt service for the 2016 and 2017 bond issues was \$9,192,053, resulting in a present value benefit of \$1,485,970.

Economic Gain:

|                                                  |                  |
|--------------------------------------------------|------------------|
| Present Value Debt Service Benefit               | \$1,485,970      |
| Effects of Changes in Debt Service Investments   | (136,786)        |
| Net Transfers from Prior Issue Debt Service Fund | <u>(616,588)</u> |

|               |                         |
|---------------|-------------------------|
| Economic Gain | <u><u>\$732,596</u></u> |
|---------------|-------------------------|

The water long-term debt, which is collateralized by water and sewer revenues, is payable as follows:

| <u>April 1</u>           | <u>Principal</u>          | <u>Interest</u>           |
|--------------------------|---------------------------|---------------------------|
| 2026                     | \$255,000                 | \$106,369                 |
| 2027                     | 265,000                   | 102,494                   |
| 2028                     | 265,000                   | 99,678                    |
| 2029                     | 265,000                   | 96,531                    |
| 2030                     | 270,000                   | 93,019                    |
| 2031-2035                | 1,435,000                 | 391,550                   |
| 2036-2040                | 1,570,000                 | 238,666                   |
| 2041-2045                | 1,105,000                 | 70,647                    |
| 2046-2050                | 190,000                   | 15,438                    |
| 2051-2055                | <u>40,000</u>             | <u>475</u>                |
| Total maturities of bond | <u><u>\$5,660,000</u></u> | <u><u>\$1,214,867</u></u> |

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 6 - Long Term Debt (continued)**

|                                | <b>Beginning<br/>Balance<br/>Dec 31, 2023</b> | <b>Additions</b> | <b>Reductions</b>  | <b>Ending<br/>Balance<br/>Dec 31, 2024</b> |
|--------------------------------|-----------------------------------------------|------------------|--------------------|--------------------------------------------|
| Bonds Payable                  | \$6,165,000                                   |                  | (\$250,000)        | \$5,915,000                                |
| Plus (less) deferred amounts:  |                                               |                  |                    |                                            |
| For issue discount             | (8,035)                                       |                  | 289                | (7,746)                                    |
| Activity long term liabilities | <u>\$6,156,965</u>                            | <u>\$-0-</u>     | <u>(\$249,711)</u> | <u>\$5,907,254</u>                         |

|                                | <b>Beginning<br/>Balance<br/>Dec 31, 2024</b> | <b>Additions</b> | <b>Reductions</b>  | <b>Ending<br/>Balance<br/>Dec 31, 2025</b> | <b>Due<br/>Within<br/>One Year</b> |
|--------------------------------|-----------------------------------------------|------------------|--------------------|--------------------------------------------|------------------------------------|
| Bonds Payable                  | \$5,915,000                                   |                  | (\$255,000)        | \$5,660,000                                | \$255,000                          |
| Plus (less) deferred amounts:  |                                               |                  |                    |                                            |                                    |
| For issue discount             | (7,746)                                       |                  | 290                | (7,456)                                    |                                    |
| Activity long term liabilities | <u>\$5,907,254</u>                            |                  | <u>(\$254,710)</u> | <u>\$5,652,544</u>                         | <u>\$255,000</u>                   |

Bonds and similar debt payable at December 31, 2025 are comprised of the following individual issues:

|                  | <b>Interest Rates</b> | <b>Original Issue</b> | <b>Balance Outstanding<br/>December 31, 2025</b> | <b>Balance Outstanding<br/>December 31, 2024</b> |
|------------------|-----------------------|-----------------------|--------------------------------------------------|--------------------------------------------------|
| Bonds payable    |                       |                       |                                                  |                                                  |
| 2021 Bond Series | 1.125 - 2.375%        | \$6,495,000           | \$5,660,000                                      | \$5,915,000                                      |
|                  |                       | <u>\$6,495,000</u>    | <u>\$5,660,000</u>                               | <u>\$5,915,000</u>                               |

**Sewer Long Term Debt**

On December 30, 2016, the Ward Water and Sewer System issued \$4,860,000 in Water and Sewer Revenue Bonds for the construction of sewer system improvements in order that the Authority and its water users may have adequate and proper wastewater collection and treatment facilities. The estimated cost of construction of \$5,860,000 is financed by the issuance of a Water and Sewer Revenue Bond in the amount of \$4,860,000 to USDA Rural Development, a Water and Sewer Revenue Bond in the amount of \$1,000,000 to USDA Rural Development. The \$1,000,000 Water and Sewer Revenue Bond was closed on June 13, 2017.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENT (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 6 - Long Term Debt (continued)**

The Water and Sewer Revenue Bonds have been funded through USDA Rural Development as follows:

| <b><u>Bond Issue</u></b> | <b><u>Balance Outstanding<br/>December 31, 2025</u></b> | <b><u>Balance Outstanding<br/>December 31, 2024</u></b> | <b><u>Interest Rate</u></b> | <b><u>Maturity Date</u></b> |
|--------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------|-----------------------------|
| \$4,860,000              | \$3,983,775                                             | \$4,076,344                                             | 2.375%                      | December 28, 2056           |

The Water and Sewer Revenue Bonds are special obligations payable solely from the revenue of the Water and Sewer System. The \$4,860,000 issue is payable in monthly installments of \$15,698 beginning January 28, 2017 through the maturity date of December 28, 2056.

The \$4,860,000 bond issue contains a requirement to fund a debt service reserve that includes \$1,570 per month in addition to the required monthly payment until \$188,376 has been accumulated, then the additional payment shall not be required. Also, the bond issue requires a short-lived asset reserve to be funded in monthly payments of \$667 until the balance reaches \$92,750.

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENT (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 6 - Long Term Debt (continued)**

Future principal maturities, assuming that all funding is drawn, are as follows:

|              | <u>Principal</u>   | <u>Interest</u>    |
|--------------|--------------------|--------------------|
| 2026         | \$92,803           | \$95,573           |
| 2027         | 95,074             | 93,303             |
| 2028         | 97,400             | 90,976             |
| 2029         | 99,783             | 88,593             |
| 2030         | 102,225            | 86,151             |
| 2031-2035    | 549,894            | 391,985            |
| 2036-2040    | 620,549            | 321,331            |
| 2041-2045    | 700,282            | 241,598            |
| 2046-2050    | 790,259            | 151,621            |
| 2051-2055    | 835,506            | 50,185             |
| <b>Total</b> | <u>\$3,983,775</u> | <u>\$1,611,316</u> |

| <u>Beginning Balance</u><br><u>December 31, 2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u><br><u>December 31, 2024</u> |
|------------------------------------------------------|------------------|-------------------|---------------------------------------------------|
| USDA     \$4,166,742                                 |                  | (\$90,398)        | \$4,076,344                                       |

| <u>Beginning Balance</u><br><u>December 31, 2024</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u><br><u>December 31, 2025</u> | <u>Due Within</u><br><u>One Year</u> |
|------------------------------------------------------|------------------|-------------------|---------------------------------------------------|--------------------------------------|
| USDA     \$4,076,344                                 |                  | (\$92,569)        | \$3,983,775                                       | \$92,803                             |

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENT (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 7 - Concentrations of Credit Risk**

Financial instruments that potentially subject the Ward Water and Sewer System to concentrations of credit risk consist principally of cash, cash investments, and customer accounts receivable. The fund maintains its cash balances in financial institutions located in central Arkansas. The balances are insured by the Federal Deposits Insurance Corporation up to \$250,000 and securities with a market value of \$6,378,449. At December 31, 2025, the carrying amount of deposits was \$6,036,251 and the bank balance was \$6,384,088. Of the bank balance, \$6,384,088 was insured by F.D.I.C. and/or collateralized. Concentrations of credit risk with respect to customer accounts receivable are limited due to the geographic location.

**Note 8 - Pension Plan**

Substantially all of the Utility's employees are eligible to receive retirement benefits.

**(A) Arkansas Public Employees' Retirement Plan**

*Plan description:* Utility employees hired prior to July 18, 2018, participate in the Arkansas Public Employees' Retirement Plan (the Plan), a multi-employer, cost sharing, defined benefit plan, qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. The administration and control of the plan is vested in the Board of Trustees of APERS.

*Benefits provided:* The Plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Current retirement law provides for a three percent (3%) COLA to all APERS retirees who have been retired or participated in the Deferred Retirement Option Plan (DROP) for at least twelve months on July 1 of each year. Benefit provisions are established by state law and may be amended only by state legislature.

*Contributions:* Contributions are set forth in Arkansas statute and the Plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date have the option to become a contributory member at any time. The Utility is required to contribute a percent of covered salary at an actuarially determined rate. Required employer contributions made during the years ended June 30, 2025 and 2024 totaled \$122,714 and \$116,327, respectively. Employer contribution rates applicable were 15.32% of covered payroll for the years ending June 30, 2025 and 2024.

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENT (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 8 - Pension Plan (continued)**

*Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pensions:*  
At December 31, 2025 and 2024, the Utility reported a liability of \$615,044 and \$705,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on a projection of the Utility's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025 and 2024, the Utility's proportion was 0.028%.

For the years ended December 31, 2025 and 2024, the Utility recognized the actuarially determined pension expense of \$82,141 and \$124,045 respectively. At December 31, 2025 and 2024, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

|                                                                                                       | <u>Year Ended December 31, 2025</u>           |                                              | <u>Year Ended December 31, 2024</u>           |                                              |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------|
|                                                                                                       | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Changes of assumptions                                                                                | \$10,743                                      |                                              | \$24,613                                      |                                              |
| Changes in proportion and differences<br>between employer contributions and share<br>of contributions | 23,435                                        | 2,188                                        | 7,501                                         | \$5,978                                      |
| Differences between expected and actual                                                               | 19,183                                        | 18,591                                       | 27,410                                        | 28,877                                       |
| Net difference between projected and actual<br>investment earnings on pension plan<br>investments     |                                               | 41,071                                       | 20,489                                        |                                              |
| Utility contributions subsequent to the<br>measurement date                                           | 63,719                                        |                                              | 59,463                                        |                                              |
| Total                                                                                                 | <u>\$117,080</u>                              | <u>\$61,850</u>                              | <u>\$139,476</u>                              | <u>\$34,855</u>                              |

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENT (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 8 - Pension Plan (continued)**

At December 31, 2025, the Utility reported \$63,719 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. At December 31, 2024, the Utility reported \$59,463 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which were recognized as a reduction of the net pension liability in the year ended December 31, 2025.

Other amounts reported as deferred inflows and outflows of resources related to pensions at December 31, 2025 and 2024 were projected to be recognized in pension expense as follows:

| <b><u>Year Ended December 31, 2025</u></b>                          |                                                     | <b><u>Year Ended December 31, 2024</u></b>                          |                                                     |
|---------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------|
| <b><u>Projected to be Recognized<br/>in Year Ended June 30:</u></b> | <b><u>Deferred<br/>Outflows and<br/>Inflows</u></b> | <b><u>Projected to be Recognized<br/>in Year Ended June 30:</u></b> | <b><u>Deferred<br/>Outflows and<br/>Inflows</u></b> |
| 2026                                                                | \$90,043                                            | 2025                                                                | (\$7,142)                                           |
| 2027                                                                | (42,110)                                            | 2026                                                                | 98,164                                              |
| 2028                                                                | (33,686)                                            | 2027                                                                | (28,961)                                            |
| 2029                                                                | (22,736)                                            | 2028                                                                | (16,904)                                            |
|                                                                     | <u>(\$8,489)</u>                                    |                                                                     | <u>\$45,157</u>                                     |

*Actuarial assumptions:* The total pension liability in the June 30, 2025 and 2024 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                | <b><u>June 30, 2025</u></b> | <b><u>June 30, 2024</u></b> |
|--------------------------------|-----------------------------|-----------------------------|
| Actuarial cost method          | Entry Age Normal            | Entry Age Normal            |
| Discount rate                  | 7.00%                       | 7.00%                       |
| Inflation rate                 | 3.25%                       | 3.25%                       |
| Salary increases               | 3.25% - 11.00%              | 3.25% - 9.85%               |
| Investment rate of return, net | 7.00%                       | 7.00%                       |

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 8 - Pension Plan (continued)**

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114% and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables males and females, respectively. The disabled retiree mortality tables, for post-retirement disabled mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above-described tables. These assumptions were first used for the June 30, 2023 valuation.

*Investment Rate of Return:* The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 - 2034 were based upon capital market assumptions provided by the Plan's investment consultant. For each major asset class included in the Plan's target asset allocation as of June 30, 2025 and 2024, these best estimates are summarized in the following table:

|                           | <b>Year Ended December 31, 2025</b> |                                                      | <b>Year Ended December 31, 2024</b> |                                                      |
|---------------------------|-------------------------------------|------------------------------------------------------|-------------------------------------|------------------------------------------------------|
| <b><u>Asset Class</u></b> | <b><u>Target Allocation</u></b>     | <b><u>Long-Term Expected Real Rate of Return</u></b> | <b><u>Target Allocation</u></b>     | <b><u>Long-Term Expected Real Rate of Return</u></b> |
| Broad Domestic Equity     | 39%                                 | 6.19%                                                | 37%                                 | 6.19%                                                |
| International Equity      | 17%                                 | 6.77%                                                | 24%                                 | 6.77%                                                |
| Domestic Fixed            | 21%                                 | 3.34%                                                | 16%                                 | 3.34%                                                |
| Private Equity            | 5%                                  | 8.77%                                                | 0%                                  | 0%                                                   |
| Hedge Funds               | 2%                                  | 3.58%                                                | 0%                                  | 0%                                                   |
| Absolute Return           | 0%                                  | 3.36%                                                | 5%                                  | 3.36%                                                |
| Real Estate               | 16%                                 | 1.79%                                                | 18%                                 | 1.79%                                                |
|                           | <u>100%</u>                         |                                                      | <u>100%</u>                         |                                                      |

**WARD WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
DECEMBER 31, 2025 AND 2024**

**Note 8 -Pension Plan (continued)**

*Discount rate:* A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2025 and 2024. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Utility's proportionate share of the net pension liability to changes in the discount rate:* The following presents the Utility's proportionate share of the net pension liability calculated using the discount rates, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the current rate:

|                                                                             | <b>1% Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1% Increase<br/>(8.00%)</b> |
|-----------------------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| Utility's proportionate share of the net pension liability at June 30, 2025 | <u>\$1,147,759</u>             | <u>\$615,044</u>                             | <u>\$175,762</u>               |
| Utility's proportionate share of the net pension liability at June 30, 2024 | <u>\$1,202,998</u>             | <u>\$705,008</u>                             | <u>\$294,452</u>               |

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report. Additional financial and actuarial information is available in APERS' annual financial reports for the years ended June 30, 2025 and 2024. This information and the actuarial valuation reports are available on the APERS' website, [www.apers.org](http://www.apers.org). The reports may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 9 - Deferred Outflows**

Deferred outflows as of December 31, 2025 and 2024 consist as follows:

|                                                                                              | <u><b>2025</b></u>             | <u><b>2024</b></u>             |
|----------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Deferred loss on refunding of Series 2005 and 2001 bonds,<br>net of accumulated amortization | \$18,192                       | \$21,282                       |
| Deferred loss on refunding of Series 2008 bonds, net of<br>accumulated amortization          | 16,838                         | 17,839                         |
| Deferred loss on refunding of Series 2013 bonds, net of<br>accumulated amortization          | 78,302                         | 85,450                         |
| Deferred loss on refunding of Series 2011 bonds, net of<br>accumulated amortization          | 7,877                          | 10,540                         |
| Deferred loss on refunding of Series 2016 bonds, net of<br>accumulated amortization          | 14,587                         | 16,285                         |
| Prepaid Greers Ferry Allocation,<br>net accumulated amortization                             | 90,686                         | 97,050                         |
|                                                                                              | <u><u><b>\$226,482</b></u></u> | <u><u><b>\$248,446</b></u></u> |

**Note 10 - Evaluation of Subsequent Events**

Ward Water and Sewer System has evaluated subsequent events through July 28, 2026, the date which the financial statements were available to be issued.

**Note 11 - Commitments**

Ward Water and Sewer has entered into a contract to purchase water from Lonoke White Public Water Authority. Ward Water and Sewer has agreed to pay a fee of \$22,070 per month plus \$24,714 for the first 19,770,833 gallons per month, which shall also be the minimum rate per month.

**WARD WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2025 AND 2024**

**Note 12 - Compensated Absences**

Ward Water and Sewer System's policy provides that employees accrue sick leave at a rate of two hours per pay period. Employees may carryover up to a maximum of sixty days to be used for eligible sick leave. Employees will not be paid for accrued sick leave upon termination.

**Note 13 - Fair Value of Financial Instruments**

The following methods and assumptions were used by Ward Water and Sewer System in estimating the fair value of its financial instruments:

*Cash, cash equivalents and other deposits:* The carrying amounts reported in the balance sheets for cash, cash equivalents and other deposits approximate its fair value.

*Receivables:* The carrying amount reported in the balance sheets for receivables approximates its fair value.

*Accounts payable and accrued expenses:* The carrying amount reported in the balance sheets for accounts payable and accrued expenses approximate its fair value.

*Customer meter deposits and bonds payable:* The carrying amount reported in the balance sheets for other noncurrent liabilities approximates its fair value.

**Note 14 - Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications did not affect the government's total net position, fund balance, or results of operations.

**Ward Water And Sewer System**  
**Schedules of Revenue, Expenses and Changes in Net Position by Fund**  
**December 31, 2025 and 2024**

|                                               | Water               |                     | Sewer               |                     |
|-----------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                               | <u>2025</u>         | <u>2024</u>         | <u>2025</u>         | <u>2024</u>         |
| <b>Operating Revenue</b>                      |                     |                     |                     |                     |
| Water revenue                                 | 3,238,011           | 2,916,994           | -                   | -                   |
| Sewer revenue                                 | -                   | -                   | 1,176,757           | 1,106,540           |
| Meter installation and line extensions        | 72,546              | 43,679              | 12,000              | 4,900               |
| Water reconnection fees                       | 105,055             | 116,517             | -                   | -                   |
| Delinquent penalties                          | 85,636              | 78,911              | 1,981               | 3,014               |
| Miscellaneous revenue                         | 432,224             | 287,095             | 5,040               | 3,705               |
| <b>Total Operating Revenue</b>                | <u>3,933,472</u>    | <u>3,443,196</u>    | <u>1,195,778</u>    | <u>1,118,159</u>    |
| <b>Operating Expenses</b>                     |                     |                     |                     |                     |
| Salaries                                      | 548,222             | 567,730             | 242,911             | 228,457             |
| Pension                                       | 49,502              | 105,400             | 28,327              | 22,965              |
| Repairs & maintenance                         | 130,269             | 86,623              | 96,351              | 12,226              |
| Waste Removal                                 | 45,982              | 8,772               | 64,962              | 106,374             |
| Materials and supplies                        | 144,838             | 32,348              | 79,029              | 79,815              |
| Purchased water                               | 376,603             | 358,204             | -                   | -                   |
| Utilities                                     | 59,971              | 40,472              | 142,047             | 132,587             |
| Telephone                                     | 18,449              | 17,848              | 4,295               | 3,862               |
| Professional fees                             | 85,401              | 51,233              | 1,843               | 13,200              |
| Insurance and bonds                           | 183,685             | 173,564             | 55,084              | 39,159              |
| Payroll taxes                                 | 44,328              | 43,711              | 15,883              | 13,612              |
| Truck expense                                 | 6,272               | 10,741              | 19,476              | 18,404              |
| Depreciation and amortization                 | 363,144             | 246,336             | 320,422             | 314,868             |
| Office expense                                | 73,854              | 66,779              | 964                 | 9,781               |
| Other operating expense                       | 467,864             | 374,358             | 21,844              | 28,632              |
| Bond fees                                     | 4,605               | 4,613               | -                   | 120                 |
| Bad debts                                     | 13,611              | -                   | 5,784               | -                   |
| Franchise fees                                | 63,572              | 61,037              | 44,604              | 41,805              |
| <b>Total Operating Expenses</b>               | <u>2,680,172</u>    | <u>2,249,769</u>    | <u>1,143,826</u>    | <u>1,065,867</u>    |
| <b>Net (Loss) Income from Operations</b>      | <u>1,253,300</u>    | <u>1,193,427</u>    | <u>51,952</u>       | <u>52,292</u>       |
| <b>Nonoperating Revenues (Expenses)</b>       |                     |                     |                     |                     |
| Interest Income                               | 168,662             | 179,424             | 1,673               | 1,637               |
| Interest expense                              | (98,711)            | (104,014)           | (108,159)           | (111,685)           |
| Insurance reimbursements for damages          | -                   | 210,586             | -                   | -                   |
| <b>Total Nonoperating Revenues (Expenses)</b> | <u>69,951</u>       | <u>285,996</u>      | <u>(106,486)</u>    | <u>(110,048)</u>    |
| <b>Transfer In</b>                            |                     |                     | 20,026              | 134,939             |
| <b>Transfer Out</b>                           | <u>(20,026)</u>     | <u>(134,939)</u>    |                     |                     |
| <b>Changes in Net Position</b>                | <u>1,303,225</u>    | <u>1,344,484</u>    | <u>(34,508)</u>     | <u>77,183</u>       |
| <b>Net Position, Beginning</b>                | 5,310,625           | 2,615,083           | 3,001,430           | 2,924,247           |
| <b>Capital Contributions</b>                  |                     | 1,351,058           |                     |                     |
| <b>Net Position, Ending</b>                   | <u>\$ 6,613,850</u> | <u>\$ 5,310,625</u> | <u>\$ 2,966,922</u> | <u>\$ 3,001,430</u> |

**WARD WATER AND SEWER SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**(BUDGET AND ACTUAL)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                    | <u>Actual</u>      | <u>Revised<br/>Budget</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|------------------------------------|--------------------|---------------------------|-------------------------------------------------|
| <b>Operating Revenue</b>           |                    |                           |                                                 |
| Water revenue                      | \$3,238,011        | \$2,740,000               | \$498,011                                       |
| Sewer revenue                      | 1,176,757          | 1,200,000                 | (23,243)                                        |
| Water meter installation           | 72,546             | 33,000                    | 39,546                                          |
| Water connect fees                 | 105,055            | 115,000                   | (9,945)                                         |
| Sewer installation fees            | 12,000             | 4,000                     | 8,000                                           |
| Miscellaneous income               | 437,264            | 302,000                   | 135,264                                         |
| Delinquent fees                    | 87,617             | 85,000                    | 2,617                                           |
| <b>Total Operating Revenue</b>     | <u>5,129,250</u>   | <u>4,479,000</u>          | <u>650,250</u>                                  |
| <b>Operating Expense</b>           |                    |                           |                                                 |
| Salaries, wages and benefits       | 924,814            | 1,235,800                 | 310,986                                         |
| Repairs and Maintenance/Material   | 450,487            | 447,000                   | (3,487)                                         |
| Water purchased                    | 376,603            | 380,000                   | 3,397                                           |
| Utilities and telephone            | 224,762            | 229,000                   | 4,238                                           |
| Other operating expenses           | 1,159,407          | 1,195,000                 | 35,593                                          |
| Depreciation                       | 683,566            | 689,000                   | 5,434                                           |
| <b>Total Operating Expenses</b>    | <u>3,819,639</u>   | <u>4,175,800</u>          | <u>356,161</u>                                  |
| <b>Operating Income</b>            | <u>1,309,611</u>   | <u>303,200</u>            | <u>1,006,411</u>                                |
| <b>Non-Operating Revenue</b>       |                    |                           |                                                 |
| Interest income                    | 170,335            | 165,000                   | 5,335                                           |
| Interest expense                   | (206,870)          | (245,000)                 | 38,130                                          |
| <b>Total Non-Operating Revenue</b> | <u>(36,535)</u>    | <u>(80,000)</u>           | <u>43,465</u>                                   |
| <b>Changes in Net Position</b>     | <u>\$1,273,076</u> | <u>\$223,200</u>          | <u>\$1,049,876</u>                              |

**WARD WATER AND SEWER SYSTEM  
INSURANCE COVERAGE  
DECEMBER 31, 2025**

| <u>Type of Insurance</u>      |                                        | <u>Amount of<br/>Coverage</u> | <u>Period Covered</u>                   | <u>Company</u>                                    |
|-------------------------------|----------------------------------------|-------------------------------|-----------------------------------------|---------------------------------------------------|
| Real and personal<br>property | Equipment,<br>building and<br>contents | \$8,590,022                   | January 1, 2025 to<br>December 31, 2025 | Arkansas Municipal<br>Property program            |
| Fidelity Bond                 |                                        | \$250,000                     | January 1, 2025 to<br>December 31, 2025 | Arkansas Fidelity<br>Bond Trust Fund              |
| Worker's Compensation         |                                        |                               | January 1, 2025 to<br>December 31, 2025 | Municipal League<br>Workers Compensation<br>Trust |

|                         |                          |                       |
|-------------------------|--------------------------|-----------------------|
| Sewer rates - all users | \$14.61                  | 1 - 1,000 gallons     |
|                         | \$5.38                   | 1,001 - 2,000 gallons |
|                         | \$5.38                   | 2,001 - 3,000 gallons |
|                         | \$5.89                   | 3,001 - 4,000 gallons |
|                         | \$6.66                   | 4,001 - 5,000 gallons |
|                         | \$6.92                   | 5,001 - 6,000 gallons |
|                         | \$7.18 per 1,000 gallons | 6,001 and thereafter  |

|                                        |                     |
|----------------------------------------|---------------------|
| Total annual billable water - all user | 239,236,700 gallons |
|----------------------------------------|---------------------|

Page 34

**WHITMIRE, ROBINSON & CO., CPA, LTD.**

---

CERTIFIED PUBLIC ACCOUNTANTS

JESSE WHITMIRE, CPA  
SHARON ROBINSON, CPA

200 PSE DRIVE  
NEWPORT, AR 72112

249 EAGLE MOUNTAIN BLVD. SUITE 300  
BATESVILLE, AR 72501

PHONE (870) 523-4346  
FAX (870) 523-4352  
PHONE (870) 698-1203  
FAX (870) 698-0295

**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**

Honorable Mayor and Council Members  
City of Ward, 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 business-type activities of Ward Water and Sewer System of City of Ward, Arkansas as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Ward Water and Sewer System of City of Ward, Arkansas' basic financial statements, and have issued our report thereon dated July 28, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Ward Water and Sewer System of City of Ward, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ward Water and Sewer System of City of Ward, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Ward Water and Sewer System of City of Ward, Arkansas' internal control.

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ward Water and Sewer System of City of Ward, Arkansas' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Whitmire, Robinson & Co.  
Batesville, Arkansas  
July 28, 2026

**Ward Water And Sewer System**  
**Schedule of the Water and Sewer System's Proportionate Share of the Net Pension Liability**  
**Years Ended June 30, 2025 Through 2016**

|                                                                                                            | As of June 30,<br>2025 | As of June 30,<br>2024 | As of June 30,<br>2023 | As of June 30,<br>2022 | As of June 30,<br>2021 | As of June 30,<br>2020 | As of June 30,<br>2019 | As of June 30,<br>2018 | As of June 30,<br>2017 | As of June 30,<br>2016 |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Utility's proportion of the net pension liability (percentage)                                             | 0.02850%               | 0.02850%               | 0.02850%               | 0.02850%               | 0.02860%               | 0.02930%               | 0.02970%               | 0.02950%               | 0.02940%               | 0.02980%               |
| Utility's proportionate share of the net pension liability (dollars)                                       | \$ 615,044             | \$ 705,008             | \$ 814,014             | \$ 763,441             | \$ 220,163             | \$ 839,452             | \$ 717,175             | \$ 650,916             | \$ 759,503             | \$ 712,385             |
| Utility's covered-employee payroll                                                                         | \$ 800,826             | \$ 759,578             | \$ 701,179             | \$ 637,052             | \$ 591,000             | \$ 538,516             | \$ 561,061             | \$ 560,840             | \$ 803,970             | \$ 709,992             |
| Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 76.80%                 | 92.82%                 | 116.09%                | 119.84%                | 37.25%                 | 155.88%                | 127.82%                | 116.06%                | 94.47%                 | 100.34%                |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 85.04%                 | 81.61%                 | 77.94%                 | 78.31%                 | 93.57%                 | 75.38%                 | 78.55%                 | 79.59%                 | 75.50%                 | 80.39%                 |

**Ward Water And Sewer System**  
**Schedule of the Water and Sewer System's Contributions to Pension Plan**  
**Years Ended June 30, 2025 Through 2016**

|                                                              | As of June 30,<br>2025 | As of June<br>30, 2024 | As of June<br>30, 2023 | As of June<br>30, 2022 | As of June<br>30, 2021 | As of June<br>30, 2020 | As of June<br>30, 2019 | As of June<br>30, 2018 | As of June<br>30, 2017 | As of June<br>30, 2016 |
|--------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Required Contributions                                       | \$ 122,714             | \$ 116,327             | \$ 106,584             | \$ 97,596              | \$ 91,277              | \$ 85,759              | \$ 85,913              | \$ 85,634              | \$ 82,913              | \$ 102,380             |
| Contributions in relation to<br>the required contribution    | 122,714                | 116,327                | 106,584                | 97,596                 | 91,277                 | 85,759                 | 85,913                 | 85,634                 | 82,913                 | 102,380                |
| Contribution deficiency (excess)                             | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Utility's covered-employee<br>payroll                        | 800,826                | 759,278                | 701,179                | 637,052                | 591,000                | 538,516                | 561,061                | 560,840                | 803,970                | 709,992                |
| Contributions as a percentage<br>of covered-employee payroll | 15.32%                 | 15.32%                 | 15.20%                 | 15.32%                 | 15.44%                 | 15.93%                 | 15.31%                 | 15.27%                 | 10.31%                 | 14.42%                 |