City of Wooster
Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Financial Statements
December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

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LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)
Wooster, Arkansas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Wooster Water Service Department, (a component unit of the City of Wooster, Arkansas), (the Department). as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the City of Wooster Water Service Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Department as of December 31, 2024, and 2023, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

To the City Council
City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Wooster Water Service Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government Auditing Standards*, we:

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

To the City Council
City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Required Supplemental Information

Management has omitted the Management's Discussion and Analysis (MD&A) 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 Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 6, 2025, on our consideration of the City of Wooster Water Service Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Landmark PLC

Little Rock, Arkansas
October 6, 2025

Financial Statements

City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Statements of Net Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 670,574	$ 748,212
Accounts receivable	133,831	127,222
Accrued water revenue	45,021	45,021
Prepaid expenses and construction costs	21,281	2,946
Inventory	18,915	9,344
Total Unrestricted Current Assets	889,622	932,745
Restricted Assets		
Cash and cash equivalents	388,124	313,598
Total Restricted Assets	388,124	313,598
Total Current Assets	1,277,746	1,246,343
Capital Assets, Net	6,349,722	6,007,491
TOTAL ASSETS	$ 7,627,468	$ 7,253,834

(Continued)

See accompanying notes to financial statements.

City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Statements of Net Position *(Continued)*
December 31, 2024 and 2023

	2024	2023
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 55,149	$ 37,773
Interest payable	1,801	708
Sales tax payable	7,945	7,173
Wages payable	10,233	4,658
Vacation payable	7,054	7,054
Customer meter deposits	197,158	184,740
Current maturities of long-term debt	74,864	78,870
Total Current Liabilities	354,204	320,976
Liabilities Payable from Restricted Assets		
Interest payable	10,400	11,493
Current maturities of long-term debt	164,578	161,023
Total Liabilities Payable from Restricted Assets	174,978	172,516
Long-Term Liabilities		
Long-term debt - less current maturities	2,604,947	2,847,244
Total Long-Term Liabilities	2,604,947	2,847,244
Total Liabilities	3,134,129	3,340,736
Net Position		
Net investment in capital assets	3,774,275	2,920,352
Restricted		
Debt service reserve fund	163,434	143,505
Depreciation reserve fund	224,690	170,093
Unrestricted	330,940	679,148
Total Net Position	4,493,339	3,913,098
TOTAL LIABILITIES AND NET POSITION	$ 7,627,468	$ 7,253,834

See accompanying notes to financial statements.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Water revenues	$ 1,516,878	$ 1,388,237
Sewer revenues	21,593	4,497
Late fees	20,249	17,728
Fee and permit revenue	109,218	122,353
Miscellaneous	22,475	9,300
Total Operating Revenues	1,690,413	1,542,115
Operating Expenses		
Bad debts	917	724
Cell phone badger meters	16,929	17,860
Depreciation	256,953	244,544
Fuel and oil	22,503	19,643
Insurance	67,510	46,950
Miscellaneous	13,862	5,016
Office supplies	542	1,279
Payroll taxes	28,024	24,065
Postage	7,009	6,843
Professional fees and dues	25,004	53,906
Repairs and maintenance	148,321	167,845
Retirement	5,730	6,048
Salaries and wages	380,754	319,023
Uniforms	2,109	388
Utilities and telephone	22,665	21,098
Water purchases	617,897	490,730
Total Operating Expenses	1,616,729	1,425,962
Operating Income	73,684	116,153
Other Revenues (Expenses)		
Interest income	19,756	10,208
Gain on asset disposals	-	30,400
Interest expense	(91,385)	(87,956)
Total Other Expenses	(71,629)	(47,348)
Income Before Contributions in Aid of Construction	2,055	68,805
CONTRIBUTIONS IN AID OF CONSTRUCTION	578,186	812,634
Increase in Net Position	580,241	881,439
NET POSITION - BEGINNING OF YEAR	3,913,098	3,031,659
NET POSITION - END OF YEAR	$ 4,493,339	$ 3,913,098

See accompanying notes to financial statements.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 1,683,804	$ 1,535,650
Cash payments to suppliers for goods	(997,402)	(881,795)
Cash payments to employees for services	(366,557)	(316,497)
Net increase in meter deposits	12,418	9,763
Net Cash Provided by Operating Activities	332,263	347,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on certificates of deposit	19,756	10,208
Net Cash Provided by Investing Activities	19,756	10,208
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(599,184)	(688,647)
Proceeds from sale of capital assets	-	30,400
Proceeds from capital contributions	578,186	812,634
Repayment of long-term debt	(242,748)	(261,673)
Interest paid on long-term debt	(91,385)	(89,965)
Net Cash Used by Capital and Related Financing Activities	(355,131)	(197,251)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,112)	160,078
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,061,810	901,732
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,058,698	$ 1,061,810
Cash and Cash Equivalents Reconciliation		
Cash and cash equivalents	$ 670,574	$ 748,212
Restricted cash and cash equivalents	388,124	313,598
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,058,698	$ 1,061,810

(Continued)

See accompanying notes to financial statements.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Statements of Cash Flows *(Continued)*
For the Years Ended December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 73,684	$ 116,153
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	256,953	244,544
Changes in assets and liabilities		
Accounts receivable	(6,609)	(10,787)
Accrued water revenue	-	4,322
Prepaid expenses	(18,335)	(1,618)
Inventory	(9,571)	17,279
Accounts payable	17,376	(35,991)
Sales tax payable	772	930
Wages payable	5,575	2,526
Customer meter deposits	12,418	9,763
Net cash provided by operating activities	$ 332,263	$ 347,121

See accompanying notes to financial statements.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
City of Wooster Water Service Department (the Department) is a component unit of the City of Wooster, Arkansas. A component unit is a legally separate organization for which the City's Mayor and City Council are financially accountable. The Mayor of the City is the principal officer of the Department. The principal functions of the Department include operating and maintaining the water and sewer systems of residential, commercial and institutional customers.

These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operations and cash flows of the City of Wooster, Arkansas.

Basis of Accounting
The Department is operated as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements of the Department are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Basis of Presentation
The presentation of the Department's financial statements follows the requirements of GASB Statement No. 34, Basic Financial Statements applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the Department's net position is categorized into net investment in capital assets, restricted bond reserve funds and unrestricted, as applicable. In addition, operating revenues and expenses derived from or related directly to providing community water and sewer services are distinguished from nonoperating revenues and expenses for purposes of presentation on the Department's statements of revenues, expenses and changes in net position. Operating revenues consist primarily of user charges, and operating expenses include the costs of maintaining and operating the water and sewer system.

Cash and Cash Equivalents
The Department's cash and cash equivalents are considered to be all cash on hand, demand deposit accounts, certificates of deposit, and all short-term investments with original maturities of three months or less from the date of acquisition. Total cash and cash equivalents are as follows:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents *(Continued)*

	2024	2023
Unrestricted - cash	$ 473,323	$ 559,433
Unrestricted - certificates of deposit	197,251	188,779
Total Unrestricted	670,574	748,212
Restricted - cash	323,217	248,178
Restricted - certificates of deposit	64,907	65,420
Total Restricted	388,124	313,598
Total Cash and Cash Equivalents	$ 1,058,698	$ 1,061,810

Accounts Receivable
Accounts receivable consists of credit extended to the Department's customers in the normal course of business. The Department considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collection on accounts previously written off are included in income when received. Bad debt expense was $917 and $724 for the years ended 2024 and 2023, respectively.

Inventory
Inventories are stated at the lower of cost or market determined by the specific identification method. Inventory consist of materials in stock.

Capital Assets
Capital assets are recorded at historical cost. Donated capital assets are reported at estimated fair market value at the date of donation.

Costs related to major additions and betterments of capital assets are capitalized, while costs of repairs and maintenance that do not add value or extend the useful life of the related asset are expensed as incurred. Assets contributed are recorded at fair value at the date contributed.

Depreciation is provided using the straight-line method over the following estimated useful lives:

Collection and treatment facilities	10-40 years
Vehicles and Equipment	4-10 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets *(Continued)*
As required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, management evaluates events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. If it is determined that a capital asset is impaired and that impairment is other than temporary, impairment losses are recorded in accordance with GASB No. 42. There were no impairment losses recorded for the years ended December 31, 2024 and 2023.

Contributions in Aid of Construction
Contributions in aid of construction consist of funds received for the purpose of bettering and improving the water and sewer systems. The majority of the contributions were provided by Faulkner County through a combination of grants and direct funding. These funds were designated for the extension of water and sewer services to underserved areas and to support regional growth initiatives. The remaining aid was contributed by local real estate developers as part of subdivision development agreements. These contributions were used to fund the installation of water mains, sewer lines, and lift stations necessary to serve new residential and commercial developments.

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

Compensated Absences
The Department's employees earn paid time off benefits on the basis of length of service time. Subject to certain restrictions, employees are compensated for unused paid time off upon leaving the Department's employment. All paid time off is accrued when incurred in the Department's financial statements.

Revenue Recognition
Revenues for the water and sewer system are recognized in the period during which the related services are provided. Accounts receivable and revenues reported on the Department's financial statements include an estimate of charges for services provided but unbilled at year end.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates *(Continued)*
The useful lives of capital assets are significant estimates used to determine the amount of depreciation expense and the net book value of capital assets in service reported in the Department's financial statements.

Recently Adopted Accounting Standards
Effective January 1, 2024, the Corporation implemented GASB Statement No. 101, Compensated Absences (GASB Statement No. 101) issued in June 2022. GASB Statement No. 101 provides guidance on the accounting and financial reporting for compensated absences. The statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The adoption of this statement did not have a material effect on the financial statements.

Reclassifications
Certain 2023 amounts have been reclassified to conform to the 2024 presentation.

NOTE 2: RESTRICTED ASSETS

Under the terms of certain ordinances, certain restricted funds must be maintained as follows:

	2024	2023
Bond and note reserve funds:		
Debt service reserve funds	$ 163,434	$ 143,505
Other restricted assets:		
Depreciation reserves	224,690	170,093
Total Restricted Cash and Cash Equivalents	$ 388,124	$ 313,598

The Department is required under note payable agreements with the United States Department of Agriculture (USDA) Rural Development and the Arkansas Natural Resources Commission (ANRC) to maintain debt service reserves for the purpose of paying principal and interest on the notes to the extent monies in the revenue fund on any payment date are insufficient for such purposes. At December 31, 2024 and 2023, the Department had adequately funded its required reserves.

The depreciation funds were established under note payable agreements with the USDA Rural Development and the ANRC for the purpose of funding major repairs, damage caused by unforeseen catastrophes, and necessary replacements to the systems. At December 31, 2024 and 2023, the Department had adequately funded its required reserves.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 3: CAPITAL ASSETS

Capital asset activity was as follows:

	Balance 12/31/2023	Transfers In/ Additions	Transfers Out/ Disposals	Balance 12/31/2024
Non-depreciable capital assets				
Land	$ 33,319	$ -	$ -	$ 33,319
Total capital assets not being depreciated	33,319	-	-	33,319
Capital assets being depreciated				
Office building	117,116	-	-	117,116
Equipment and storage building	1,400,944	-	-	1,400,944
Water system	5,034,300	21,975	-	5,056,275
Sewer system	1,889,064	577,209	-	2,466,273
Total depreciable capital assets	8,441,424	599,184	-	9,040,608
Less accumulated depreciation				
Office building	(61,928)	(3,209)	-	(65,137)
Equipment and storage building	(738,554)	(88,201)		(826,755)
Water system	(1,629,884)	(114,460)	-	(1,744,344)
Sewer system	(36,886)	(51,083)	-	(87,969)
Total accumulated depreciation	(2,467,252)	(256,953)	-	(2,724,205)
Total capital assets being depreciated, net	5,974,172	342,231	-	6,316,403
Total Capital Assets - net	$ 6,007,491	$ 342,231	$ -	$ 6,349,722

	Balance 12/31/2022	Transfers In/ Additions	Transfers Out/ Disposals	Balance 12/31/2023
Non-depreciable capital assets				
Land	$ 33,319	$ -	$ -	$ 33,319
Work in progress	1,279,103	-	(1,279,103)	-
Total capital assets not being depreciated	1,312,422	-	(1,279,103)	33,319
Capital Assets being depreciated				
Office building	117,116	-	-	117,116
Equipment and storage building	1,372,894	68,140	(40,090)	1,400,944
Water system	5,023,755	10,545	-	5,034,300
Sewer system	-	1,889,064	-	1,889,064
Total depreciable capital assets	6,513,765	1,967,749	(40,090)	8,441,424
Less accumulated depreciation				
Office building	(58,719)	(3,209)	-	(61,928)
Equipment and storage building	(688,340)	(90,029)	39,815	(738,554)
Water system	(1,515,740)	(114,144)	-	(1,629,884)
Sewer system	-	(36,886)	-	(36,886)
Total accumulated depreciation	(2,262,799)	(244,268)	39,815	(2,467,252)
Total Depreciable - Net	4,250,966	1,723,481	(275)	5,974,172
Total Capital Assets - Net	$ 5,563,388	$ 1,723,481	$ (1,279,378)	$ 6,007,491

NOTE 4: NOTES PAYABLE

Notes payable consisted of the following:

	2024	2023
Long-Term Notes Payable		
3.85% note payable to a finance company, due in monthly installments of $1,206 including interest, secured by equipment, due in February 2025.	$ -	$ 8,235
4.14% note payable to a finance company, due in variable monthly installments including interest, secured by equipment, due in April 2027.	59,474	75,887
3.80% note payable to First Service Bank, due in monthly installments of $3,233, including interest, secured by equipment, due in December 2027.	99,183	129,623
5.00% note payable to Arkansas Natural Resources Commission, due in annual installments of $2,914 including interest, secured by the assets and revenue generated from the operation of the project, due in November 2028.	10,334	12,617
5.00% note payable to Arkansas Natural Resources Commission, due in annual installments of $2,914 including interest, secured by the assets and revenue generated from the operation of the project, due in November 2028.	10,334	12,617
7.50% note payable to USDA Rural Development, due in monthly installments of $363 including interest, secured by issuance of water revenue bonds which are secured by statutory mortgage lien upon the water system land, plant, and equipment, due in March 2029.	4,827	8,664
0.50% bond payable to Arkansas Natural Resources Commission and Arkansas Development Finance Authority, servicing fee due semiannually until October 2019, then due in semiannual installments of $25,651 consisting of principal, and a servicing fee (0.5%) beginning October 2020. Secured by gross revenues of the department, due in April 2030.	277,896	327,641
5.00% note payable to Arkansas Natural Resources Commission, interest is waived for ten years and payment is deferred for ten years, then due in annual installments of $16,530 including interest, secured by the assets and revenue generated by the operation of the project, due in December 2031.	95,649	106,837

NOTE 4: NOTES PAYABLE (Continued)

	2024	2023
2.50% bond payable to Arkansas Natural Resources Commission and Arkansas Development Finance Authority, interest and servicing fee due semiannually until October 2019, then due in semiannual installments of $78,207 consisting of principal, interest (1.5%) and servicing fee (1%) beginning in April 2020. Secured by gross revenues of the department, due in October 2039.	$ 1,946,494	$ 2,052,259
4.50% note payable to USDA Rural Development, interest only payable for the first two years, then due in monthly installments of $2,348 including interest, secured by the assets and revenue generated from the operation of the project, due in August 2042.	340,198	352,757
Total long-term debt	2,844,389	3,087,137
Less: current maturities	239,442	239,893
Long-term debt, less current maturities	$ 2,604,947	$ 2,847,244
Changes in notes payables consisted of the following:		
Total long-term debt - beginning of year	$ 3,087,137	$ 3,191,243
Repayments of long-term debt	(242,748)	(261,673)
Total long-term debt - end of year	$ 2,844,389	$ 2,929,570

Aggregate maturities of long-term debt are as follows:

For the years ended December 31	Principal	Interest	Total
2025	$ 239,442	$ 76,378	$ 315,820
2026	246,261	69,556	315,817
2027	229,781	62,678	292,459
2028	193,111	56,746	249,857
2029	192,076	51,951	244,027
2030-2034	834,755	190,180	1,024,935
2035-2039	843,707	79,246	922,953
2040-2044	65,256	3,787	69,043
	$ 2,844,389	$ 590,522	$ 3,434,911

NOTE 5: CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Department to concentration of credit risk consists primarily of cash and cash equivalents, which are held at financial institutions in Arkansas, and accounts receivable. The aggregate balances of the cash and cash equivalent accounts at any one financial institution are insured up to Federal Deposit Insurance Corporation (FDIC) limits, and the excess of the balances over FDIC insurance limits are fully collateralized with securities pledged by the financial institutions and held in the name of the Department. Collateral securities are maintained pursuant to the terms of collateral security custody agreements executed by the pledging financial institutions and the Department may not be released without the consent of the Department. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers with relatively small account balances and required meter deposits.

NOTE 6: RETIREMENT PLAN

In July 2006, the Department adopted a savings incentive match plan (SIMPLE) in which employee and employer contributions are contributed to the employees' individual retirement accounts. Any employee who has received at least $5,000 in compensation in at least one preceding calendar year is eligible to participate in the plan. The Department will match employees' contributions up to 3% of their compensation for the calendar year. All contributions made under the SIMPLE IRA plan are fully vested. Total employer contributions for the years ended December 31, 2024 and 2023, were $5,730 and $6,048, respectively.

NOTE 7: WATER REVENUE

There were approximately 1,963 and 1,902 customers as of December 31, 2024 and 2023, respectively. The gross revenues received from water service, sewer service, connection and reconnection fees, plumbing inspections, service, and late fees were $1,690,413 and $1,542,115 for the years ended December 31, 2024 and 2023, respectively.

The following water rates were in effect for 2024 and 2023:

January 1, 2024 to December 31, 2024		January 1, 2023 to December 31, 2023	
Inside City Limits:		**Inside City Limits:**	
Gallons per Month	**Rates**	**Gallons per Month**	**Rates**
First 1,000 gallons	$33.02 minimum	First 1,000 gallons	$31.25 minimum
Over 1,000 gallons	$7.66 per 1,000	Over 1,000 gallons	$7.20 per 1,000
Outside City Limits:		**Outside City Limits:**	
Gallons per Month	**Rates**	**Gallons per Month**	**Rates**
First 1,000 gallons	$33.02 minimum	First 1,000 gallons	$33.39 minimum
Over 1,000 gallons	$8.18 per 1,000	Over 1,000 gallons	$7.72 per 1,000

NOTE 8: RELATED PARTIES

Certain activities occur periodically between the Department and other units of the City of Wooster requiring transfer of funds between the units and reimbursement of expenses. During the years ended December 31, 2024 and 2023, there were no transfers of funds between entities.

NOTE 9: RISK MANAGEMENT

The Department is exposed to various levels of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has purchased Insurance to address these risks. There have been no significant reductions in the Department's coverage during the years ended December 31, 2024 and 2023. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

NOTE 10: RISKS AND UNCERTAINTIES

The Department's financial performance is subject to various risks and uncertainties. These risks include, but are not limited to, economic conditions, market fluctuations, regulatory changes, and geopolitical events. In particular, recent developments such as the potential imposition of tariffs and certain ongoing geopolitical events, have introduced additional uncertainties that could impact the Department's operations and financial results.

NOTE 11: INSURANCE

The insurance policies in force at December 31, 2024, are as follows:

Company	Policy	Expiration	Amount of Coverage	
Owners Insurance Co.	General Liability	11/30/2025	$	5,460,000
Owners Insurance Co.	Commercial Property	5/3/2025	$	2,035,000
Arkansas Municipal League	Auto	5/12/2025	$	1,108,921
Arkansas Government Bonding Board	Employee Dishonesty	4/4/2025	$	250,000

NOTE 12: CONTINGENCIES

The Department has opted to be a reimbursable employer for state unemployment tax purposes. Under this option, the Department pays a pro rata share of the actual costs of unemployment benefits to its former employees. There were no benefits paid for the years ended December 31, 2024 and 2023.

Other Required Reports

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)
Wooster, 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 City of Wooster Water Service Department (a component unit of the City of Wooster, Arkansas), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Wooster Water Service Department's basic financial statements, and have issued our report thereon dated October 6, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses of significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the schedule of findings as item 2024-01 to be a material weakness.

Landmark PLC, Certified Public Accountants
200 W Capitol Ave, Ste 1700 | Little Rock, AR 72201 | Telephone (501) 375-2025 | Fax (501) 375-8704 | www.landmarkcpas.com

City Council
City of Wooster Water Service Department
(A Component Unit of the City of Wooster, Arkansas)

Report on Internal Control Over Financial Reporting *(Continued)*

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. We consider the deficiencies described in the accompanying schedule of findings as item 2024-02 to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Wooster Water Service Department's Response to Findings

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

Purpose of This Report

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

Landmark PLC

Little Rock, Arkansas
October 6, 2025

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Schedule of Audit Results and Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

Section I - Summary of Auditor's Results

Type of Auditor's Report Issued on Financial Statements:	Unmodified	
Internal Control over Financial Reporting		
Material Weakness(es) Identified?	X Yes	___ No
Significant Deficiency(ies) Identified?	X Yes	___ No
Noncompliance Material to Financial Statements Noted?	___ Yes	X No

Section II - Government Auditing Standards Findings

Finding 2024-01

Segregation of duties.

Criteria

A good system of internal control provides for a proper segregation of accounting functions. Although proper segregation is not always possible in a small system, segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud.

Condition

During the year ended December 31, 2024, there were inherent limitations in the Department's controls primarily due to the limited number of personnel.

Cause

Internal controls showed a lack of segregation of duties primarily due to the limited number of personnel. This will likely be an ongoing issue due to its impracticality from a cost benefit standpoint.

Effect

The limitations could allow the misappropriations of Department funds.

Recommendation

We recommend that management take steps to develop and implement new procedures to improve segregation of duties.

Management Response

Management diligently attempts to segregate duties, but it is beyond current staffing capabilities.

City of Wooster Water Service Department

(A Component Unit of the City of Wooster, Arkansas)

Schedule of Audit Results and Schedule of Findings and Responses *(Continued)*
For the Years Ended December 31, 2024 and 2023

Finding 2024-02

Inadequate recording of journal entries.

Criteria

Accurate and properly classified journal entries are essential to ensure reliable financial reporting of assets, liabilities, income, and expenses in accordance with generally accepted accounting principles.

Condition

During the year ended December 31, 2024, there were improper journal entries made in the Department's general ledger.

Cause

Although a formal review process had been implemented for the year ended December 31, 2024, a misunderstanding of the procedures led to incorrect journal entries.

Effect

The Department is exposed to the risk of misstatements in its financial statements due to the improper recording of revenue.

Recommendation

We recommend that management strengthen the existing review process by:

- Clearly documenting procedures for reviewing capital contributions.
- Providing targeted training to staff responsible for journal entries.
- Implementing a secondary review or approval step for entries involving capital contributions.
- Periodically auditing entries to ensure compliance and accuracy.

Management Response

Management acknowledges the issue and confirms that a formal review process was in place during 2024. However, due to a misunderstanding of the procedures, journal entries were not properly recorded. The review process has since been revised to include checks for proper accounting treatment and will be fully effective for the year ending December 31, 2025.