

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024



TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT
DECEMBER 31, 2024

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Independent Auditor's Report

To the Board of Directors
Tri County Regional Water Distribution District
Russellville, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tri County Regional Water Distribution District, as of and for the year ended December 31, 2024, and the related notes to the 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 financial position of Tri County Regional Water Distribution District as of December 31, 2024, and the changes in its financial position and cash flows for the year 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 Tri County Regional Water Distribution District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Tri County Regional Water Distribution District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri County Regional Water Distribution District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statement in an appropriate operational, economic, or historical context. Our opinion on the 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 January 16, 2026, on our consideration of Tri County Regional Water Distribution District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tri County Regional Water Distribution District’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 Tri County Regional Water Distribution District’s internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
January 16, 2026

FINANCIAL STATEMENTS

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2024

Assets

Current Assets

Cash and cash equivalents	\$	2,639,098
Restricted cash and cash equivalents		710,818
Certificates of deposit		561,013
Restricted certificates of deposit		1,867,429
Accounts receivable		915,735
Inventory		369,198
Prepaid expenses		55,415
Total Current Assets		7,118,706

Noncurrent Assets

Deposits		775
Capital assets, net		33,786,414
Total Noncurrent Assets		33,787,189
Total Assets	\$	40,905,895

Liabilities

Current Liabilities

Accounts payable	\$	90,047
Payroll tax and other withholdings payable		10,565
Accrued compensated absences		61,463
Accrued interest		64,977
Customer deposits		897,719
Current portion of long-term debt		547,790
Total Current Liabilities		1,672,561

Noncurrent Liabilities

Compensated absences		13,254
Long-term debt		8,246,041
Total Noncurrent Liabilities		8,259,295
Total Liabilities		9,931,856

Net Position

Net investment in capital assets		24,992,583
Restricted		1,615,550
Unrestricted		4,365,906
Total Net Position		30,974,039
Total Liabilities and Net Position	\$	40,905,895

See accompanying notes to financial statements.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024

Operating Revenue	
Water sales	\$ 6,539,434
Wastewater revenue	124,890
Tapping and connection fees	108,490
Late fees	88,718
Other income	182,963
Total Operating Revenue	7,044,495
Operating Expenses	
Purchased water	1,614,319
Salaries and wages	1,430,570
Contract labor	81,400
Payroll taxes	106,485
Employee benefits	218,269
Maintenance and repairs	695,493
Utilities	338,719
Transportation	128,422
Chemicals	113,849
Telemetry	56,055
Operating supplies	82,130
Insurance	119,933
Professional fees	173,007
Office expense	51,155
Postage and printing	84,111
Dues, licenses, and subscriptions	59,373
Permits, easements, and appraisals	6,077
Travel	9,788
Water quality testing	4,734
Bad debt expense, net recoveries	14,721
Bank and credit card processing fees	38,977
Trustee and loan service fees	11,248
Miscellaneous expenses	6,400
Depreciation	1,354,739
Total Operating Expenses	6,799,974
Net Income From Operations	244,521
Other Income (Expense)	
Interest income	222,958
Grant proceeds	208,949
Gain on disposition of fixed assets	20,212
Interest expense	(155,221)
Total Other Income (Expense)	296,898
Change in Net Position	541,419
Net Position at Beginning of Year, as previously stated	30,221,115
Prior period adjustment	211,505
Net Position at Beginning of Year, restated	30,432,620
Net Position at End of Year	\$ 30,974,039

See accompanying notes to financial statements.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024	
Cash Flows From Operating Activities	
Cash receipts from customers	\$ 6,999,582
Cash payments to suppliers for goods and services	(4,259,014)
Cash payments to employees for services	(1,355,853)
Net Cash Provided By Operating Activities	1,384,715
Cash Flows From Non-Capital and Related Financing Activities	
Insurance proceeds	1,000,000
Net Cash Provided By Non-Capital and Related Financing Activities	1,000,000
Cash Flows From Capital and Related Financing Activities	
Cash paid for property and equipment	(1,692,539)
Proceeds from disposition of assets	20,212
Capital grant proceeds	208,949
Repayment of debt	(536,799)
Interest paid on debt	(153,788)
Net Cash Used In Capital and Related Financing Activities	(2,153,965)
Cash Flows From Investing Activities	
Net certificate of deposit earnings reinvested	(11,567)
Interest received	222,958
Net Cash Provided By Investing Activities	211,391
Net Increase In Cash, Cash Equivalents	442,141
Cash, Cash Equivalents and Restricted Cash At Beginning of Year *	2,907,775
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 3,349,916
Reconciliation to the Statement of Net Position	
Cash and cash equivalents	\$ 2,639,098
Restricted cash and cash equivalents	710,818
Total Cash, Cash Equivalents and Restricted Cash	\$ 3,349,916

* The beginning cash balance was reduced by \$531,567 from the 2023 audited financial statements for a reclassification entry that reduced cash and increased the certificate of deposit balance

See accompanying notes to financial statements.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

Reconciliation Of Operating Income To Net Cash

Provided By Operating Activities

Net income from operations	\$	244,521
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization		1,354,739
Write off of insurance receivable		6,444
(Increase) decrease in:		
Accounts receivable		(59,936)
Inventory		(92,900)
Prepaid insurance		(12,442)
Increase (decrease) in:		
Accounts payable		(133,538)
Payroll tax and other withholdings payable		(11,913)
Accrued compensated absences		74,717
Sales tax payable		(10,950)
Customer deposits		25,973
Net Cash Provided By Operating Activities	\$	1,384,715

See accompanying notes to financial statements.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Nature of Operations

Tri County Regional Water Distribution District (the "District") operates a water treatment, storage, and distribution system serving residential and commercial customers in Pope and Yell Counties, Arkansas. In addition, the District receives sewer revenues in connection with the acquisition of the City of Plainview, Arkansas water and sewer system, in 2014. The District is governed by a Board of Directors.

1. Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The District accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Tax Status

The District is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water and wastewater fees and surcharges billed to residential and commercial/industrial customers based on consumption. The District does not charge interest on overdue accounts but does charge a late fee for late payments. Once an account is deemed delinquent, generally after 14 days past due, shutoff procedures commence, the meter deposit is applied and the customer is issued a final bill. Accounts with a remaining balance will be held for a minimum of ninety days following the final bill to allow for additional collection efforts. After ninety days, accounts with unpaid balances may be submitted to the Board for write-off, although collection efforts continue. The District wrote off \$12,559 of accounts receivable during the year ended December 31, 2024. The District has not recorded an allowance for doubtful accounts at December 31, 2024, as the amount is immaterial to the financial statements.

Inventory

Inventories consist of construction and maintenance materials and is valued at cost, which approximates market using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year in which services are consumed.

Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The estimated useful lives of the assets are as follows:

Distribution system	5 - 50 years
Building and improvements	10 - 50 years
Transportation equipment	5 - 7 years
Equipment and machinery	5 - 30 years
Office furniture and equipment	5 - 20 years

It is the District's policy to capitalize all asset purchases equal to or greater than \$5,000. It is the District's policy to expense all asset purchases under \$5,000.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The District does not have any SBITA's in excess of one year.

Compensated Absences

Full time employees earn paid time off (PTO) in varying amounts based upon length of service with the District. Employees can carryforward a total of 10 unused PTO days from year to year, up to a maximum accumulation of 60 days . Upon termination from the District, employees in good standing are paid their accumulated unused PTO. At December 31, 2024, the District had \$74,717 accrued for compensated absences.

Customer Meter Deposits

Customers are required to make separate water meter and, if applicable, wastewater deposits before being connected to the water/wastewater systems. These deposits are refundable to customers when the District no longer services the customer. The District uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Net Position

Net position of the District are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment in capital assets.

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

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

The District does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. District personnel decide which resources to use at the time the expenditures are incurred. For financial statement classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The District's restricted net position are those resources necessary to comply with various covenants of bond financing agreements.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District consist of water and sewer treatment and distribution services, and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Regulatory Environment

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective during the District's fiscal year. Implementation of these standards did not have any impact on the District's financial statements.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement and guidance under a unified model and by amending certain previously required disclosures.

2. Deposits with Financial Institutions

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

The District does not have a deposit policy, but follows the provisions of state law and bond ordinances regarding deposits of public funds.

Custodial credit risk is the risk that in the event of a bank failure, a District's deposits may not be recovered. At December 31, 2024, all of the District's deposits were insured and/or collateralized with a letter of credit or pledged securities. The bank balances and carrying amount of the District's deposits held were as follows:

Description	At December 31, 2024	
	Bank Balance	Carrying Amount
Insured	\$ 750,000	\$ 750,000
Collateralized - by letter of credit or held by pledging bank or pledging bank's trust department in the District's name	2,020,969	2,594,584
Cash on hand	-	5,332
Total cash and cash equivalents	\$ 2,770,969	\$ 3,349,916

Deposits as reported in the following statement of net position captions:

As Of December 31, 2024	
Current Assets	
Cash and cash equivalents	\$ 2,639,098
Restricted checking and savings accounts	710,818
Total	\$ 3,349,916

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2. Deposits with Financial Institutions (continued)

Investments

Investments of the District consist of the following:

As of December 31, 2024	Market	Weighted Avg. Maturity	Credit Rating
Certificates of deposit	\$ 2,428,442	232 days	N/A
Total	\$ 2,428,442		

Investments as reported in the following statement of net position captions:

As Of December 31, 2024	
Certificates of deposit	\$ 561,013
Restricted certificates of deposit	1,867,429
Total	\$ 2,428,442

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The District's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's funds invested in a certificates of deposit at December 31, 2024, are either FDIC insured, or collateralized with a letter of credit or pledged securities.

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. All investments are held by the District or by an agent of the District's name.

Fair Value Measurement

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2. Deposits with Financial Institutions (continued)

Fair Value Measurement (continued)

The following table represents the District's investments that are measured at fair value on a recurring basis at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 2,428,442	\$ -	\$ -	\$ 2,428,442
Total	\$ 2,428,442	\$ -	\$ -	\$ 2,428,442

Certificates of deposit are recorded at cost plus interest earned.

3. Restricted Assets

Restricted accounts consists of the following:

As Of December 31, 2024	
Checking and savings accounts:	
Bond funds	\$ 606,619
Depreciation reserves	80,000
Meter deposits	12,168
Debt service reserve	12,031
Total Restricted Cash	710,818
Certificates of deposit:	
Short-lived asset replacement reserve	981,878
Meter deposits	885,551
Total Restricted Investments	1,867,429
Total Restricted Cash and Investments	\$ 2,578,247

Bond Funds - established to fund the semi-annual interests and annual principal payments of the 2021 Series Water Revenue Refunding bonds and the Arkansas Natural Resources Commission note payable

Depreciation and Short-lived Asset Replacements Reserves - for asset replacement, repairs, maintenance, betterments and improvements of the District

Meter Deposits - refundable customer deposits.

Debt Service Reserve - restricted for payment of principal and interest of the USDA Rural Development loan if funds are not available.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

4. Accounts Receivable

Accounts receivable are due within one year and consist of the following:

As Of December 31, 2024	
Billed	\$ 576,712
Earned but not billed	337,673
Other	1,350
Total Accounts Receivable	\$ 915,735

Unbilled accounts receivable was computed for usage from the last meter reading date of 2024 until December 31, 2024.

5. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions / Transfers	Retirements/ Transfers	December 31, 2024
Assets not being depreciated				
Land and easements	\$ 785,707	\$ -	\$ -	\$ 785,707
Construction in progress	1,322,500	1,125,023	899,856	1,547,667
Assets not being depreciated	2,108,207	1,125,023	899,856	2,333,374
Assets being depreciated:				
Distribution system	51,749,285	841,593	-	52,590,878
Building and improvements	1,216,548	-	-	1,216,548
Transportation equipment	1,074,482	268,102	20,349	1,322,235
Equipment and machinery	863,708	357,677	-	1,221,385
Office furniture and equipment	315,222	-	-	315,222
Assets being depreciated:	55,219,245	1,467,372	20,349	56,666,268
Total Assets	57,327,452	2,592,395	920,205	58,999,642
Less: Accumulated Depreciation				
Distribution system	21,686,096	1,073,551	-	22,759,647
Building and improvements	591,495	40,847	-	632,342
Transportation equipment	590,584	176,428	20,349	746,663
Equipment and machinery	729,483	53,482	-	782,965
Office furniture and equipment	281,180	10,431	-	291,611
Total Accumulated Depreciation	23,878,838	1,354,739	20,349	25,213,228
Net Capital Assets	\$ 33,448,614	\$ 1,237,656	\$ 899,856	\$ 33,786,414

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

5. Capital Assets (continued)

Construction in progress is for a new Plainville Water Treatment Plant (\$764,139) on Lake Nimrod, a complete system upgrade for the Plainville Wastewater Treatment Facility (\$716,310), and replacing the main water line through Hector, Arkansas (\$67,218).

The new Plainville Water Treatment Plant project is estimated to cost approximately \$14.7 million. The project will be funded with a \$5 million American Rescue Plan Act grant, a \$6.1 million loan from USDA Rural Development, and a \$3.6 million loan from the Arkansas Natural Resource Commission. All funding has been approved. The contractor began work in June 2025 with estimated completion late 2026.

The complete overhaul of the Plainville Wastewater facility cost approximately \$1 million. The cost was partially funded with an American Rescue Plan Act grant totaling \$480,000. The District recorded \$208,949 of grant revenue for the project during the year ended December 31, 2024. The project was completed in 2025. Also see Note 9.

The costs incurred on the main water line replacement in Hector, Arkansas are primarily legal and easement fees. The estimated cost of the project is \$3 million. Funding for the project has been secured with an Arkansas Natural Resources Commission loan. The project is estimated to be complete by winter 2026.

6. Long-Term Debt

Long-term debt of the District consists of the following:

As of December 31, 2024

United States Department of Agriculture, Rural Development note dated July 24, 2020, in the amount of \$600,000. The note is payable in monthly installments of \$1,698 including interest at 1.5%, is secured by District revenues, and matures in July 2060.	\$ 560,168
Arkansas Natural Resources Commission note dated September 22, 2022, in the amount of \$736,633. The note is payable in monthly installments of \$23,236 including interest at 0.75% and a 1.00% service fee. The note is secured by District revenues and matures in October 2040.	633,663
Tri-County Regional Water Distribution District Water Revenue Refunding Bonds, Series 2021 dated May, 6, 2021, in the amount of \$8,965,000 with interest rates ranging from 0.6% to 2.375%. Annual payments of principal and semi-annual payments of interest are made until bond maturity in January 2051. The bonds are secured by District revenues and substantially all of the District's assets.	7,600,000
Total	8,793,831
Less: Current maturities	547,790
Long-Term Debt	\$ 8,246,041

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	2021 Series Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2025	\$ 500,000	\$ 126,338	\$ 47,790	\$ 20,166	\$ 694,294
2026	500,000	122,963	48,601	19,355	690,919
2027	475,000	118,713	49,424	18,532	661,669
2028	440,000	113,862	50,262	17,694	621,818
2029	430,000	108,700	51,113	16,843	606,656
2030-2034	2,045,000	443,947	268,857	70,923	2,828,727
2035-2039	1,485,000	267,641	292,434	47,346	2,092,421
2040-2044	725,000	154,859	108,826	28,739	1,017,424
2045-2049	715,000	76,781	85,225	16,655	893,661
2050-2054	285,000	6,590	91,859	10,021	393,470
2055-2059	-	-	86,346	15,534	101,880
2060	-	-	13,094	491	13,585
Total	\$ 7,600,000	\$ 1,540,394	\$ 1,193,831	\$ 282,299	\$ 10,616,524

The trust indenture contains certain provisions in the event of loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the District on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; enforce any and all other rights and remedies by law.

7. Changes in Long-Term Liabilities

Changes in long-term liabilities are as follows:

As Of	January 1, 2024	Additions	Retirements	December 31, 2024	Due Within One Year
USDA	\$ 572,044	\$ -	\$ 11,876	\$ 560,168	\$ 12,254
ANRC	668,586	-	34,923	633,663	35,536
2021 Bonds	8,090,000	-	490,000	7,600,000	500,000
Compensated absences	-	74,717	-	-	61,463
Total	\$ 9,330,630	\$ 74,717	\$ 536,799	\$ 8,793,831	\$ 609,253

8. Bond Covenants

The District's bond ordinance contains a provision (the Rate Covenant) which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund 110% of debt service requirements to which the system revenues are pledged. For the year ended December 31, 2024, the District was in compliance with the rate covenant.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. Bond Covenants (continued)

The bond ordinance and other loan agreement also contain specific requirements for annual debt service and various covenants which require the District to maintain specific reserve and other accounts and to meet various other general requirements. The District was in compliance with all such significant financial covenants and restrictions for the years ended December 31, 2024.

9. Net Position - Prior Period Adjustment

A prior period adjustment was recorded to correct the value of the wastewater treatment project for grant funding received in 2023 that was improperly recorded. The effect of the adjustment was as follows:

	<u>Balance</u> <u>Jan 1, 2024</u>	<u>Change</u>	<u>Restated</u> <u>Balance</u> <u>Jan 1, 2024</u>
Statement of Net Position			
Net Capital Assets	\$ 33,237,109	\$ 211,505	\$ 33,448,614
Net Assets	\$ 30,221,115	\$ 211,505	\$ 30,432,620

10. Gain on Asset Disposal / Insurance Recoveries

The District received insurance recoveries totaling \$20,212 during the year ended December 31, 2024 for a vehicle that was totaled.

11. Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District provides unsecured credit to its customers. The receivables are from individuals located within the same geographic region. The credit risk is considered minimal as the individual customer balances are relatively small and the customer base is consistent.

12. Water Contracts

The District has the following water contracts:

- City Corporation of Russellville - ten year agreement signed in 2021, for the purchase of up to 3 million gallons of water per day, with annual increases based on usage. The contract also stipulates that the District contribute to City Corporation for capital improvements made specifically to serve only the District and constructed at the request of the District.
- City of Danville, Arkansas - twenty year agreement signed in 2022, for the purchase of water not to exceed 10 million gallons per month.
- City of Atkins, Arkansas - forty year agreement signed in 1996, for the purchase of water not to exceed 15 million gallons per month.
- City of Havana, Arkansas - forty year agreement signed in 1995 for the purchase of water not to exceed 800,000 gallons per month.

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

12. Water Contracts (continued)

Water purchases under these contracts were as follows:

Year Ended December 31, 2024	
City Corporation of Russellville	\$ 1,088,529
City of Danville	260,982
City of Atkins	177,619
City of Havana	87,189
Total	\$ 1,614,319

13. Retirement Plan

The District offers a 457(b) retirement savings plan for its full-time employees. Employees may enroll on their hire date and can contribute up to 15% of their gross salary. The District will match the amount of contribution by the employee up to 6%. There is five year graded vesting schedule regarding the employer match. The District's contribution for the year ended December 31, 2024, totaled \$56,131.

14. Risk Management

The District 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 District carries property and liability insurance as well as workers' compensation insurance to minimize the risk of loss.

There has been no significant reduction in the District's insurance coverage from the previous year.

15. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through January 16, 2026, the date the financial statements were available to be issued. Other than the projects discussed in Note 5, there were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REPORT



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*

To the Board of Directors
Tri County Regional Water Distribution District
Russellville, 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 Tri County Regional Water Distribution District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

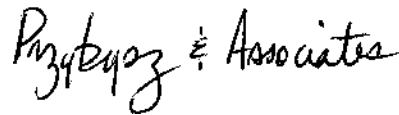
As part of obtaining reasonable assurance about whether Tri County Regional Water Distribution District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*

Tri County Regional Water Distribution District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Tri County Regional Water Distribution District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Tri County Regional Water Distribution District'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
January 16, 2026

TRI COUNTY REGIONAL WATER DISTRIBUTION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2024

Findings - Financial Statement Audit - Current Year

2024-001 Improper Capitalization of Inventory

Condition:

The District recorded inventory usage into their property and equipment accounts without specific identification of an asset or project.

Criteria and Cause:

GASB Statement No. 34 requires that capital assets must be individually identifiable as an item or part of a system or asset. It must have a distinct function and be within the thresholds of the capitalization policy for cost and lives. The District was recording the inventory usage without regard to these criteria.

Effect:

This practice produced an overstatement of assets and net income and understated expenses. There is no justification for this practice within generally accepted accounting principles (GAAP).

Recommendation:

Our recommendation was to adjust the records to where the inventory that was not specifically identifiable to a project or asset be expensed, thus complying with GAAP.

Management Response:

Management agreed with our recommendation and understood that their policy would change to be in accordance with GAAP. Management made that change in the period as of December 31, 2024 and will continue this policy going forward in future periods.

Findings - Financial Statement Audit - Prior Year

None reported