

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2025 and 2024
and
INDEPENDENT AUDITOR'S REPORT**

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2025 and 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

**Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Benton/Washington Regional Public Water Authority of the State of Arkansas (the "Authority"), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the governmental activities and the business-type activities of the Benton/Washington Regional Public Water Authority of the State of Arkansas as of December 31, 2025 and 2024 and the changes in financial position and 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 Benton/Washington Regional Public Water Authority of the State of Arkansas 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas

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

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

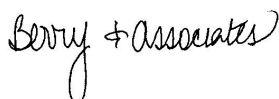
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

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 basic financial statements. Such missing information, although not 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 operation, 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 February 2, 2026 on our consideration of the Benton/Washington Regional Public Water Authority of the State of Arkansas'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 the Authority'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 Benton/Washington Regional Public Water Authority of the State of Arkansas's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
February 2, 2026

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2025 and 2024**

ASSETS

CURRENT ASSETS	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 330,901	\$ 87,976
Accounts receivable	1,640,388	1,455,837
Prepaid expenses	8,000	7,500
Total current assets	<u>1,979,289</u>	<u>1,551,313</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	14,395	10,338
Investments	24,386,541	41,829,361
Intangible assets, net of accumulated amortization of \$2,273,902 and \$2,019,956 in 2025 and 2024, respectively	5,344,485	5,598,431
Capital assets		
Capital assets, net of accumulated depreciation	<u>179,637,844</u>	<u>139,318,102</u>
TOTAL ASSETS	<u>\$ 211,362,554</u>	<u>\$ 188,307,545</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 78,455	\$ 74,395
Payroll liabilities	11,730	10,218
Total current liabilities	<u>90,185</u>	<u>84,613</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	4,845,000	4,295,000
Accounts payable	452,467	-
Retainage payable	1,238,684	1,977,583
Accrued interest payable	766,541	661,124
Total current liabilities payable from restricted assets	<u>7,302,692</u>	<u>6,933,707</u>
LONG-TERM DEBT, net of current maturities	<u>166,780,000</u>	<u>149,110,000</u>
TOTAL LIABILITIES	<u>174,172,877</u>	<u>156,128,320</u>
NET POSITION		
Net investment in capital assets	37,743,870	33,301,937
Unrestricted, (deficit)	<u>(554,193)</u>	<u>(1,122,712)</u>
Total net position	<u>37,189,677</u>	<u>32,179,225</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 211,362,554</u>	<u>\$ 188,307,545</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Water revenue	\$ 20,194,349	\$ 18,803,320
OPERATING EXPENSES		
Water purchases	43,288	32,282
Payroll expenses	2,280,092	2,110,093
Payroll taxes	175,040	158,179
Employee benefits	84,347	65,257
Contract labor	62,253	20,455
Advertising	657	2,232
Chemicals	883,687	847,909
Depreciation	3,325,095	3,272,388
Amortization	253,946	253,946
Office supplies	46,513	43,781
Repairs and maintenance	459,781	706,088
Supplies and tools	11,108	16,997
Auto expense	70,657	74,875
Dues and subscriptions	40,300	22,013
Insurance	687,395	558,538
Other operating expenses	46,729	38,877
Professional fees	101,906	242,051
Telephone	20,852	21,717
Travel	3,782	7,367
Uniforms	13,108	15,576
Utilities	1,768,790	1,588,896
Lab supplies and expense	46,806	57,127
Internet and internet security	24,008	26,629
Total operating expenses	<u>10,450,140</u>	<u>10,183,273</u>
OPERATING INCOME	<u>9,744,209</u>	<u>8,620,047</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	540,128	997,217
Interest expense	(5,408,937)	(3,871,251)
Gain on disposal of capital assets	1,832	5,000
Gain on sale of investments	525,363	52,458
Unrealized gain on investments	110,725	280,631
Bond premium	(292,885)	(201,313)
Bond issuance costs	(212,220)	(308,926)
Other income	2,237	1,382
Net non-operating expenses	<u>(4,733,757)</u>	<u>(3,044,802)</u>
CHANGE IN NET POSITION	5,010,452	5,575,245
NET POSITION - BEGINNING OF YEAR	<u>32,179,225</u>	<u>26,603,980</u>
NET POSITION - ENDING OF YEAR	<u>\$ 37,189,677</u>	<u>\$ 32,179,225</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Cash received from members	\$ 20,009,798	\$ 18,558,467
Cash payments to suppliers	(5,511,799)	(3,838,336)
Cash payments to employees	(2,280,092)	(2,110,093)
Net cash provided by operating activities	12,217,907	12,610,038
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(4,057)	(10,338)
Net change in investments	18,718,340	(12,190,603)
Interest income received	540,128	997,217
Net cash provided (used) by investing activities	19,254,411	(11,203,724)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(500,090)	(187,477)
Proceeds from disposal of capital assets	49,333	5,000
Other income received	2,237	1,382
Costs incurred on construction in progress	(43,192,248)	(33,760,548)
Proceeds from long-term debt	22,515,000	40,210,000
Bond issuance costs	(212,220)	(308,926)
Bond premium	(292,885)	(201,313)
Principal payments on long-term debt	(4,295,000)	(3,565,000)
Interest payments on long-term debt	(5,303,520)	(3,667,277)
Net cash used by financing activities	(31,229,393)	(1,474,159)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242,925	(67,845)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	87,976	155,821
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 330,901	\$ 87,976
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,744,209	\$ 8,620,047
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,579,041	3,526,334
Provision for gain on disposal of capital assets	(1,832)	(5,000)
Provision for unrealized gain on investments	(110,725)	(280,631)
Provision for gain on sale of investments	(525,363)	(52,458)
(Increase) Decrease in:		
Accounts receivable	(184,551)	(244,853)
Prepaid expenses	(500)	(7,500)
Increase (Decrease) in:		
Retainage payable	(738,899)	1,000,490
Accounts payable	456,527	43,391
Payroll liabilities	1,512	10,218
	2,473,698	3,989,991
Net cash provided by operating activities	\$ 12,217,907	\$ 12,610,038

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Benton/Washington Regional Public Water Authority of the State of Arkansas (the “Authority”), formally known as Benton/Washington County Water Association (the “Association”), was originally formed in 1992 as a nonprofit organization, under the laws of the State of Arkansas. In 2001, pursuant to the provisions of the Arkansas Code Annotated Section 4-35-201 to 217, the Association was issued a Certificate of Existence changing its legal status to a public water authority. The purpose of the Authority is to engage in activities relating to the acquisition and utilization of water and water storage facilities. The Authority is not included in any other governmental reporting entity, as defined by Governmental Accounting and Financial Reporting Standards.

Basis of Presentation and Accounting

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

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

Estimates

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

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

Accounts Receivable

The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, during the years ended December 31, 2025 and 2024, management determined that no accounts needed to be written off.

Reclassification

Certain 2024 items may have been reclassified in order to conform with the 2025 financial statements.

Date of Management’s Review

Subsequent events have been evaluated through February 2, 2026, which is the date the financial statements were available to be issued.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Machinery & Equipment	5-7
Office Equipment	5-7
Vehicles	5
Water Plant	40
Lab Equipment	5
Land	-

Long-Term Debt and Costs

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

Intangible Assets

The Authority amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets include the value placed on the contract that the Authority entered into with the U.S. Corp of Engineers to purchase their supply of water. Amortization expense related to the U.S. Corps of Engineers contract totaled \$253,946 for the year ended December 31, 2025. Estimated annual amortization expense for U.S. Corps of Engineers contract will be approximately \$253,946 through the year 2028 and \$217,375 through the year 2050.

Operating Revenues and Expenses

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

Equity Classifications

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

Net investment in capital assets - This component of net position consists of 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 improvements 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 invested in capital assets, net of related debt. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

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

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

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Budgets and Budgetary Accounting

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

Leases

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

NOTE 2 - LONG-TERM DEBT:

	<u>2025</u>	<u>2024</u>
Water Revenue Bonds Series 2019, paid semi-annually with bonds maturing annually through October 2040. (1)	\$ 3,910,000	\$ 4,125,000
Water Revenue Bonds Series 2019B, paid semi-annually with bonds maturing annually through October 2044. (1)	47,460,000	49,510,000
Water Revenue Bonds Series 2021, paid semi-annually with bonds maturing annually through October 2049. (1)	12,190,000	12,595,000
Water Revenue Bonds Series 2022, paid semi-annually with bonds maturing annually through October 2052. (1)	45,980,000	46,965,000
Water Revenue Bonds Series 2024, paid semi-annually with bonds maturing annually through October 2054. (1)	39,570,000	40,210,000
Water Revenue Bonds Series 2025, paid semi-annually with bonds maturing annually through October 2055. (1)	22,515,000	-
	<u>171,625,000</u>	<u>153,405,000</u>
Less Current Portion	<u>(4,845,000)</u>	<u>(4,295,000)</u>
Long Term Portion	<u>\$ 166,780,000</u>	<u>\$ 149,110,000</u>

- (1) The bond has restrictive covenants, including the requirement that a debt service reserve be provided in an amount equal to one-half of the maximum annual debt service requirements on the bonds. This debt service reserve is provided with a municipal bond debt service reserve insurance policy.

The annual maturities of long-term debt payable at December 31, 2025 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 4,845,000	\$ 3,667,244	\$ 10,994,172
2027	5,020,000	3,570,738	10,994,849
2028	5,190,000	3,458,608	10,995,056
2029	5,345,000	3,340,618	10,994,687
2030	5,525,000	5,470,712	10,995,712
2031-2035	30,555,000	24,380,906	54,935,906
2036-2040	34,235,000	19,043,041	53,278,041
2041-2045	34,765,000	13,037,426	47,802,426
2046-2050	26,435,000	7,480,971	33,915,971
2051-2055	19,710,000	2,102,358	21,812,358
	<u>\$ 171,625,000</u>	<u>\$ 85,552,622</u>	<u>\$ 266,719,178</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 2 - LONG-TERM DEBT, continued:

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

	<u>Balance</u> 12/31/24	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/25	<u>Due Within</u> <u>One Year</u>
Water Revenue Bonds	\$ 153,405,000	\$ 22,515,000	\$ (4,295,000)	\$ 171,625,000	\$ 4,845,000
	<u>Balance</u> 12/31/23	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/24	<u>Due Within</u> <u>One Year</u>
Water Revenue Bonds	\$ 116,760,000	\$ 40,210,000	\$ (3,565,000)	\$ 153,405,000	\$ 4,295,000

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$171,625,000 in water revenue bonds. Proceeds from the bonds were used for building the Authority's water system and for refunding current obligations. Principal and interest on the bonds are payable through 2055, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2025 were \$4,295,000 and \$5,303,520, respectively. Principal and interest paid in the year ended December 31, 2024 were \$3,565,000 and \$3,667,277, respectively.

NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the Authority's name. The deposited funds were properly insured at December 31, 2025 and 2024.

NOTE 4 - COMMITMENTS:

The Authority started a construction project for water treatment plant improvements during the year ended December 31, 2021. The Authority has entered into a contract with an engineering firm for the amount of \$4,343,400 and total costs of \$4,247,758 were incurred on this contract as of December 31, 2025.

The Authority started a construction project for distribution system improvements during the year ended December 31, 2023. The Authority has entered into two contracts with a construction company for the amount of \$12,925,000 and \$11,981,630 with total costs of \$11,981,630 and \$11,924,622, respectively, were incurred on these contracts as of December 31, 2025.

The Authority started a construction project for water transmission line improvements during the year ended December 31, 2023. The Authority has entered into three contracts with an engineering firm for the amount of \$2,800,000, \$2,980,000, and \$4,420,000 and total costs of \$2,446,708, \$1,508,000, and \$209,000 respectively, were incurred on these contracts as of December 31, 2025. The Authority has entered into two contracts with a construction company for the amount of \$29,896,355 and \$35,990,770 and total costs of \$23,878,678 and \$250,000 respectively, were incurred on these contracts as of December 31, 2025.

The Authority started a construction project for a high service pump station during the year ended December 31, 2024. The Authority has entered into three contracts with a construction company for the amount of \$12,129,372, \$6,800,000, and \$6,131,413 with total costs of \$4,612,761, \$6,375,420, and \$3,678,848, respectively, were incurred on these contracts as of December 31, 2025.

The Authority started a construction project for water tank farm during the year ended December 31, 2025. The Authority has entered into a contract with an engineering firm for the amount of \$1,583,000 and total costs of \$803,200 were incurred on this contract as of December 31, 2025.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 5 – CAPITAL ASSETS:

A summary of changes in property, plant, and equipment for the years ended December 31, 2025 and 2024 are as follows:

	Balance 12/31/2024	Additions	Deletions/ Transfers	Balance 12/31/2025
Land	\$ 1,463,806	\$ -	\$ -	\$ 1,463,806
Lab equipment	166,781	7,700	-	174,481
Office equipment	67,511	31,801	-	99,312
Machinery and equipment	825,146	206,712	-	1,031,858
Vehicles	463,830	253,877	(51,819)	665,888
Water treatment plant	120,030,573	1,881,607	-	121,912,180
Construction in progress	62,309,844	43,192,248	(1,881,607)	103,620,485
Total	<u>185,327,491</u>	<u>\$ 45,573,945</u>	<u>\$ (1,933,426)</u>	<u>228,968,010</u>
Less: Accumulated depreciation	<u>(46,009,389)</u>			<u>(49,330,166)</u>
Total capital assets	<u>\$ 139,318,102</u>			<u>\$ 179,637,844</u>

	Balance 12/31/2023	Additions	Deletions/ Transfers	Balance 12/31/2024
Land	\$ 1,463,806	\$ -	\$ -	\$ 1,463,806
Lab equipment	166,781	-	-	166,781
Office equipment	64,158	3,353	-	67,511
Machinery and equipment	740,743	84,403	-	825,146
Vehicles	389,021	99,721	(24,912)	463,830
Water treatment plant	120,030,573	-	-	120,030,573
Construction in progress	28,549,296	33,760,548	-	62,309,844
Total	<u>151,404,378</u>	<u>\$ 33,948,025</u>	<u>\$ (24,912)</u>	<u>185,327,491</u>
Less: Accumulated depreciation	<u>(42,761,913)</u>			<u>(46,009,389)</u>
Total capital assets	<u>\$ 108,642,465</u>			<u>\$ 139,318,102</u>

NOTE 6 – EMPLOYEE BENEFIT PLAN:

The Authority has a 457 plan, for all eligible employees. Participants become 100% vested in the plan after one year of service. The Authority makes annual contributions to the plan, matching employee contributions, up to 6% of compensation for all eligible employees. During the years ended December 31, 2025, and 2024, the Authority made contributions of \$84,347 and \$65,257, respectively.

NOTE 7 – RESTRICTED ASSETS:

Restricted assets consist of cash held for capital improvement projects.

The following is a list of the restricted cash at December 31, 2025 and 2024:

	2025	2024
Capital improvements	<u>\$ 14,395</u>	<u>\$ 10,338</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024**

NOTE 8 – INVESTMENTS:

FASB Accounting Standards Codification (ASC) 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the FASB fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the entity's investments are determined to be Level 1.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value at December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 24,386,541	\$ -	\$ -	\$ 24,386,541

The amortized cost of securities and their approximate fair values is as follows:

	<u>Costs</u>	<u>Unrealized Holding Gain</u>	<u>Fair Value</u>
Securities available for sale	\$ 24,275,816	\$ 110,725	\$ 24,386,541

The Authority uses the specific identification method to determine the cost of securities.

NOTE 9 – SOURCES AND USES OF FUNDS:

In September 2025, the Authority issued new debt of \$22,515,000 with the Water Revenue Refunding Bonds, Series 2025.

The sources and uses of funds required for the transaction are shown below.

<u>Sources</u>	
Principal Amount of Series 2025 Bonds	\$ 22,526,067
Net Original Issue Premium	(11,067)
	<u>\$ 22,515,000</u>
<u>Uses</u>	
Project Construction Fund	\$ 21,998,827
Reserve Policy Premium	17,367
Bond Insurance Premium	95,698
Costs of Issuance	99,155
Underwriter's Discount	303,953
	<u>\$ 22,515,000</u>

SUPPLEMENTARY INFORMATION



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

**Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Benton/Washington Regional Public Water Authority of the State of Arkansas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Benton/Washington Regional Public Water Authority of the State of Arkansas's financial statements and have issued our report thereon dated February 2, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

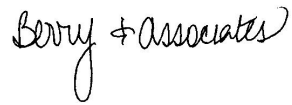
Report on Compliance and Other Matters

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

**To the Board of Directors of
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

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.

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

Berry & Associates, P.A.
Little Rock, Arkansas
February 2, 2026

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Water revenue	\$ 20,227,350	\$ 20,227,350	\$ 20,194,349	\$ (33,001)
OPERATING EXPENSES				
Water purchases	-	-	43,288	(43,288)
Payroll expenses	3,365,092	3,365,092	2,280,092	1,085,000
Payroll taxes	-	-	175,040	(175,040)
Employee benefits	-	-	84,347	(84,347)
Contract labor	-	-	62,253	(62,253)
Advertising	5,000	5,000	657	4,343
Chemicals	954,900	954,900	883,687	71,213
Depreciation	-	-	3,325,095	(3,325,095)
Amortization	-	-	253,946	(253,946)
Office supplies	89,250	89,250	46,513	42,737
Repairs and maintenance	593,500	593,500	459,781	133,719
Supplies and tools	7,500	7,500	11,108	(3,608)
Auto expense	73,500	73,500	70,657	2,843
Dues and subscriptions	17,500	17,500	40,300	(22,800)
Insurance	150,000	150,000	687,395	(537,395)
Other operating expenses	50,850	50,850	46,729	4,121
Professional fees	466,000	466,000	101,906	364,094
Telephone	26,000	26,000	20,852	5,148
Travel	12,500	12,500	3,782	8,718
Uniforms	13,500	13,500	13,108	392
Utilities	1,642,900	1,642,900	1,768,790	(125,890)
Lab supplies and expense	66,500	66,500	46,806	19,694
Internet and internet security	-	-	24,008	(24,008)
Total Operating Expenses	<u>7,534,492</u>	<u>7,534,492</u>	<u>10,450,140</u>	<u>(2,915,648)</u>
OPERATING INCOME	<u>12,692,858</u>	<u>12,692,858</u>	<u>9,744,209</u>	<u>(2,948,649)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	120,000	120,000	540,128	420,128
Interest expense	(5,408,937)	(5,408,937)	(5,408,937)	-
Gain on disposal of fixed asset	-	-	1,832	1,832
Gain on sale of investments	-	-	525,363	525,363
Unrealized gain on investments	-	-	110,725	110,725
Bond premium	-	-	(292,885)	(292,885)
Bond issuance costs	-	-	(212,220)	(212,220)
Other income	-	-	2,237	2,237
Net Non-Operating Revenues (Expenses)	<u>(5,288,937)</u>	<u>(5,288,937)</u>	<u>(4,733,757)</u>	<u>555,180</u>
CHANGE IN NET POSITION	<u>\$ 7,403,921</u>	<u>\$ 7,403,921</u>	<u>\$ 5,010,452</u>	<u>\$ (2,393,469)</u>