

**CARROLL-BOONE WATER DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**



**CARROLL-BOONE WATER DISTRICT**  
**SEPTEMBER 30, 2025 AND 2024**

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## **Independent Auditor's Report**

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To the Board of Commissioners  
Carroll-Boone Water District  
Eureka Springs, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Carroll-Boone Water District, as of and for the years ended September 30, 2025 and 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 the Carroll-Boone Water District, as of September 30, 2025 and 2024 and the changes in its 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 Carroll-Boone Water 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 the Carroll-Boone Water 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 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 Carroll-Boone Water 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carroll-Boone Water District's ability to continue as a going concern for a reasonable period of time.

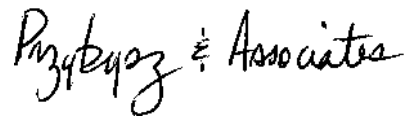
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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 basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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 December 22, 2025, on our consideration of Carroll-Boone Water 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 Carroll-Boone Water 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 Carroll-Boone Water District’s internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.  
Fort Smith, Arkansas  
December 22, 2025**

## ***FINANCIAL STATEMENTS***

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF NET POSITION

| AS OF SEPTEMBER 30,   | 2025                 | 2024                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| <b>Current Assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 6,089,307         | \$ 4,979,739         |
| Restricted checking and savings accounts                                  | 6,376,332            | 5,391,677            |
| Certificates of deposit   | 774,586              | 737,038              |
| Restricted certificates of deposit  | 774,586              | 737,038              |
| Restricted investments  | 1,420,981            | 1,358,663            |
| Accounts receivable   | 594,747              | 597,457              |
| Prepaid expenses  | 118,178              | 89,419               |
| Inventories   | 172,291              | 246,756              |
| <b>Total Current Assets</b>   | <b>16,321,008</b>    | <b>14,137,787</b>    |
| <b>Net Capital Assets</b>   | <b>31,631,939</b>    | <b>32,306,172</b>    |
| <b>Total Assets</b>   | <b>47,952,947</b>    | <b>46,443,959</b>    |
| <b>Deferred Outflows of Resources</b>                                     |                      |                      |
| Deferred loss on refunding, net of amortization                           | 120,938              | 134,131              |
| <b>Total Deferred Outflows of Resources</b>                               | <b>120,938</b>       | <b>134,131</b>       |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$ 48,073,885</b> | <b>\$ 46,578,090</b> |
| <b>Liabilities</b>  |                      |                      |
| <b>Current Liabilities</b>  |                      |                      |
| Accounts payable  | \$ 62,344            | \$ 131,862           |
| Accrued liabilities   | 144,740              | 130,806              |
| Rebate payable  | 4,244                | 16,840               |
| Accrued interest  | 167,298              | 178,028              |
| Accrued wages   | 7,666                | 5,135                |
| Compensated absences, current   | 24,174               | 18,972               |
| Current portion of deferred revenue                                       | -                    | 101,908              |
| Current portion of long-term debt   | 734,743              | 704,743              |
| Current portion of other long-term liabilities                            | 102,577              | 99,747               |
| <b>Total Current Liabilities</b>  | <b>1,247,786</b>     | <b>1,388,041</b>     |
| <b>Noncurrent Liabilities:</b>  |                      |                      |
| Compensated absences  | 27,259               | 31,286               |
| Long-term debt, net of unamortized bond discounts                         | 14,011,366           | 14,746,109           |
| Other long-term liabilities   | 2,795,666            | 2,898,242            |
| <b>Total Noncurrent Liabilities</b>                                       | <b>16,834,291</b>    | <b>17,675,637</b>    |
| <b>Total Liabilities</b>  | <b>18,082,077</b>    | <b>19,063,678</b>    |
| <b>Net Position</b>   |                      |                      |
| Net investment in capital assets  | 14,108,525           | 13,991,462           |
| Restricted  | 8,436,779            | 7,343,256            |
| Unrestricted  | 7,446,504            | 6,179,694            |
| <b>Total Net Position</b>   | <b>29,991,808</b>    | <b>27,514,412</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$ 48,073,885</b> | <b>\$ 46,578,090</b> |

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| FOR THE YEARS ENDED SEPTEMBER 30,   | 2025                 | 2024                 |
|---|----------------------|----------------------|
| <b>Operating Revenue</b>  |                      |                      |
| Water sales   | \$ 5,697,777         | \$ 5,526,751         |
| Reserved payments   | 1,320,068            | 1,315,618            |
| Miscellaneous income  | -                    | 1,369                |
| Less: rebate  | (4,244)              | (16,840)             |
| <b>Total Operating Revenue</b>  | <b>7,013,601</b>     | <b>6,826,898</b>     |
| <b>Operating Expenses</b>   |                      |                      |
| Depreciation expense  | 1,430,712            | 1,493,139            |
| Director fees   | 2,000                | 1,900                |
| Employee benefits   | 220,787              | 204,425              |
| Insurance   | 127,965              | 113,229              |
| Licenses, dues, and subscriptions   | 11,824               | 10,512               |
| Maintenance and supplies  | 35,515               | 48,924               |
| Office expenses   | 23,857               | 12,981               |
| Payroll tax expense   | 65,538               | 65,017               |
| Production and distribution equipment repairs   | 251,606              | 145,238              |
| Production supplies   | 335,761              | 368,565              |
| Professional fees   | 108,090              | 89,745               |
| Sludge disposal   | 89,207               | 85,719               |
| Travel, food and education  | 9,410                | 12,118               |
| Truck expense   | 28,314               | 28,398               |
| Trustee fees  | 2,000                | 2,000                |
| Utilities and telephone   | 713,273              | 629,014              |
| Wages   | 889,030              | 881,054              |
| Water storage operation and maintenance   | 27,026               | 20,396               |
| <b>Total Operating Expenses</b>   | <b>4,371,915</b>     | <b>4,212,374</b>     |
| <b>Net Income From Operations</b>   | <b>2,641,686</b>     | <b>2,614,524</b>     |
| <b>Other Income (Expenses)</b>  |                      |                      |
| Interest income   | 197,552              | 185,104              |
| Grant proceeds  | 101,908              | 103,243              |
| Gain on asset disposal  | 13,695               | -                    |
| Interest expense, inclusive of amortization of bond premium and<br>amortization of deferred loss on advance refunding | (477,445)            | (507,776)            |
| <b>Total Net Other Income (Expenses)</b>  | <b>(164,290)</b>     | <b>(219,429)</b>     |
| <b>Change in Net Position</b>   | <b>2,477,396</b>     | <b>2,395,095</b>     |
| Net Position at Beginning of Year   | 27,514,412           | 25,119,317           |
| <b>Net Position at End of Year</b>  | <b>\$ 29,991,808</b> | <b>\$ 27,514,412</b> |

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## STATEMENTS OF CASH FLOWS

| FOR THE YEARS ENDED SEPTEMBER 30,  | 2025                 | 2024                 |
|--|----------------------|----------------------|
| <b>Cash Flows From Operating Activities</b>  |                      |                      |
| Cash receipts from customers   | \$ 7,003,715         | \$ 6,765,776         |
| Cash payments to suppliers for goods and services                                      | (2,062,051)          | (1,894,505)          |
| Cash payments to employees for services  | (885,324)            | (880,497)            |
| <b>Net Cash Provided By Operating Activities</b>                                       | <b>4,056,340</b>     | <b>3,990,774</b>     |
| <b>Cash Flows From Capital and Related Financing Activities</b>                        |                      |                      |
| Acquisition of capital assets  | (781,548)            | (592,201)            |
| Insurance proceeds received for capital asset loss                                     | 38,764               | -                    |
| Interest paid on long-term debt  | (504,725)            | (527,730)            |
| Principal paid on long-term debt   | (675,000)            | (660,000)            |
| Principal paid on other long-term liabilities  | (99,746)             | (96,995)             |
| <b>Net Cash Used In Capital and Related Financing Activities</b>                       | <b>(2,022,255)</b>   | <b>(1,876,926)</b>   |
| <b>Cash Flows From Investing Activities</b>  |                      |                      |
| Reinvestment of certificate of deposit earnings  | (75,096)             | (71,648)             |
| Net activity of debt service investments   | (62,318)             | (63,236)             |
| Interest income  | 197,552              | 185,104              |
| <b>Net Cash Provided By Investing Activities</b>                                       | <b>60,138</b>        | <b>50,220</b>        |
| <b>Net Increase In Cash and Cash Equivalents</b>                                       | <b>2,094,223</b>     | <b>2,164,068</b>     |
| Cash, Cash Equivalents, and Restricted Cash At Beginning of Year                       | 10,371,416           | 8,207,348            |
| <b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>                      | <b>\$ 12,465,639</b> | <b>\$ 10,371,416</b> |
| <b>Reconciliation to the Statement of Net Position</b>                                 |                      |                      |
| Cash and cash equivalents  | \$ 6,089,307         | \$ 4,979,739         |
| Restricted checking and savings accounts   | 6,376,332            | 5,391,677            |
| <b>Total Cash, Cash Equivalents, and Restricted Cash</b>                               | <b>\$ 12,465,639</b> | <b>\$ 10,371,416</b> |
| <b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b> |                      |                      |
| Net income from operations   | \$ 2,641,686         | \$ 2,614,524         |
| Adjustments to reconcile net income to net cash from operating activities:             |                      |                      |
| Depreciation   | 1,430,712            | 1,493,139            |
| Net change in assets and liabilities:  |                      |                      |
| Accounts receivable  | 2,710                | (77,962)             |
| Prepaid expenses   | (28,759)             | (391)                |
| Inventories  | 74,465               | (31,379)             |
| Accounts payable   | (69,518)             | (22,322)             |
| Accrued liabilities  | 13,934               | (2,232)              |
| Rebate payable   | (12,596)             | 16,840               |
| Accrued compensated absences   | 1,175                | (4,578)              |
| Accrued wages  | 2,531                | 5,135                |
| <b>Net Cash Provided By Operating Activities</b>                                       | <b>\$ 4,056,340</b>  | <b>\$ 3,990,774</b>  |

See accompanying notes to financial statements.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### Nature of Operations

In 1976, the Boone County Water District and Carroll County Water District merged pursuant to Arkansas Acts 1975, No. 208, codified as Arkansas Code Annotated 14-116-106, to form the Carroll-Boone Water District (the "District") for the purpose of acquiring, selling and distributing water stored in the Beaver Reservoir. The District sells water to member cities within Boone and Carroll counties, in Arkansas.

### 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.

#### Reclassifications

Certain 2025 amounts have been reclassified in order to conform with the 2024 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

#### New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the District's fiscal year. The District adopted these procedures and added the appropriate disclosures.

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.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 1. Summary of Significant Accounting Policies (continued)

#### New Accounting Pronouncements (continued)

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement requires a government to assess whether a concentration or constraint makes the government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally the statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

#### Income Taxes

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.

#### Investments

Investments are presented at fair value. Restricted investments, consist primarily of U.S. Government securities designated for construction, to service semi-annual bond payments and fund a debt service reserve fund.

#### Accounts Receivable

Accounts receivable primarily consists of water fees billed to member cities based on consumption. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. Management believes, based on this criteria, that all amounts are collectible, therefore, no allowance for doubtful accounts is recorded at September 30, 2025 and 2024.

#### 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 which services are consumed.

#### Inventories

Inventories consist of replacement parts and crucial repair items and are valued at cost, which approximates market using the first-in, first-out method.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 1. Summary of Significant Accounting Policies (continued)

#### Capital Assets and Depreciation

Capital outlays of the District are recorded 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 or capacity of the asset or materially extend asset lives are expensed as incurred. The estimated useful lives of the assets are as follows:

|                         |               |
|-------------------------|---------------|
| Intake structures       | 15 - 40 years |
| Water treatment plant   | 3 - 40 years  |
| Transmission lines      | 7 - 40 years  |
| Storage Tanks           | 15 - 40 years |
| Vehicles                | 5 - 10 years  |
| Furniture and equipment | 5 - 40 years  |

It is the District's policy to capitalize asset purchases greater than \$5,000 and expense asset purchases less than \$5,000.

#### Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized by the District during the years ended September 30, 2025 and 2024.

#### Deferred Outflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

#### Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the District. Vacation time must be used by year-end or it is lost. Employees may carryforward up to 60 unused sick days from year to year. Upon termination from the District, employees, if eligible, may be paid their accumulated unused vacation and a maximum of ten accumulated unused sick days.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 1. Summary of Significant Accounting Policies (continued)

#### 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 are not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*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".

The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. The Board of Directors decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position balance amounts, restricted resources are considered spent before unrestricted.

#### 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 sales to member cities. 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.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 2. Deposits and Investments

The District follows the provisions of state law. State statutes generally require that funds be deposited in federally insured banks located in the state of Arkansas. The 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.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, a District's deposits may not be recovered. At September 30, 2025 and 2024, all of the District's deposits were insured and/or collateralized. The bank balances and carrying amount of the District's deposits held were as follows:

| Description  | At September 30, 2025 |                 | At September 30, 2024 |                 |
|--|-----------------------|-----------------|-----------------------|-----------------|
|  | Bank Balance          | Carrying Amount | Bank Balance          | Carrying Amount |
| Insured  | \$ 340,755            | \$ 340,755      | \$ 339,600            | \$ 339,600      |
| Collateralized - by letter of credit or held by pledging bank or pledging bank's trust department in the District's name | 12,241,688            | 12,124,884      | 10,158,007            | 10,031,816      |
| Total  | \$ 12,582,443         | \$ 12,465,639   | \$ 10,497,607         | \$ 10,371,416   |

Cash and cash equivalents are included in the following statement of net position captions:

| As Of September 30,                      | 2025          | 2024          |
|--|---------------|---------------|
| Cash and cash equivalents                | \$ 6,089,307  | \$ 4,979,739  |
| Restricted checking and savings accounts | 6,376,332     | 5,391,677     |
| Total                                    | \$ 12,465,639 | \$ 10,371,416 |

#### Investments

Investments consist of certificates of deposits designated for construction and repairs and maintenance, and accounts established for debt service and administration of the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 2. Deposits and Investments (continued)

Investments consist of the following:

| <b>As Of September 30, 2025</b> | <b>Market</b>       | <b>Weighted Avg. Maturity</b> | <b>Credit Rating</b> |
|---------------------------------|---------------------|-------------------------------|----------------------|
| <u>Bond Fund</u>                |                     |                               |                      |
| Government money market         | \$ 859,399          | 49 days                       | AAA-mf/AAAm          |
| <u>Debt Service Reserve</u>     |                     |                               |                      |
| Government money market         | 561,582             | 49 days                       | AAA-mf/AAAm          |
| Certificates of deposit         | 1,549,172           | 305 days                      | N/A                  |
| <b>Total</b>                    | <b>\$ 2,970,153</b> |                               |                      |

| <b>As Of September 30, 2024</b> | <b>Market</b>       | <b>Weighted Avg. Maturity</b> | <b>Credit Rating</b> |
|---------------------------------|---------------------|-------------------------------|----------------------|
| <u>Bond Fund</u>                |                     |                               |                      |
| Government money market         | \$ 795,639          | 46 days                       | AAA-mf/AAAm          |
| <u>Debt Service Reserve</u>     |                     |                               |                      |
| Government money market         | 563,024             | 46 days                       | AAA-mf/AAAm          |
| Certificates of deposit         | 1,474,076           | 305 days                      | N/A                  |
| <b>Total</b>                    | <b>\$ 2,832,739</b> |                               |                      |

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

| <b>As Of September 30,</b>         | <b>2025</b>         | <b>2024</b>         |
|------------------------------------|---------------------|---------------------|
| Certificates of deposit            | \$ 774,586          | \$ 737,038          |
| Restricted certificates of deposit | 774,586             | 737,038             |
| Restricted investments             | 1,420,981           | 1,358,663           |
| <b>Total</b>                       | <b>\$ 2,970,153</b> | <b>\$ 2,832,739</b> |

#### 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 investments at September 30, 2025 are either FDIC insured, collateralized with securities or letters of credit, or invested in government securities which are backed by the U.S. government.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 2. Deposits and Investments (continued)

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the District or by an agent of the District are in 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

The following table represents the District's investments that are measured at fair value on a recurring basis at September 30, 2025:

|                         | Level 1      | Level 2 | Level 3 | Total     |
|-------------------------|--------------|---------|---------|-----------|
| Government money market | \$ 1,420,981 | \$ -    | \$ -    | 1,420,981 |
| Certificates of deposit | 1,549,172    | -       | -       | 1,549,172 |
| Total                   | \$ 2,970,153 | \$ -    | \$ -    | 2,970,153 |

Government money market funds are valued at market value as reported by the external investment fund managers. Certificates of deposit are stated at cost plus interest earned.

### 3. Restricted Funds and Required Accounts

Restricted funds and required accounts are for the following:

**Depreciation Fund** - for repairs, maintenance, betterments and improvements of the District. The bond trust indenture requires minimum monthly deposits based upon sales, dependent on the account balance. The District's monthly deposits currently exceed the amount required by the bond trust indenture.

**Bond Fund** - for the payment of principal, interest and trustee fees on the bonds.

**Debt Service Reserve** - a reserve to pay principal and interest on the bonds if bond fund monies are not available.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 3. Restricted Funds and Required Accounts (continued)

| As Of September 30,                             | 2025                | 2024                |
|---|---------------------|---------------------|
| Restricted checking and savings:                |                     |                     |
| Depreciation Fund                               | \$ 6,374,832        | \$ 5,390,177        |
| Bond Fund                                       | 1,500               | 1,500               |
| <b>Total Restricted Checking and Savings</b>    | <b>\$ 6,376,332</b> | <b>\$ 5,391,677</b> |
| Restricted certificates of deposit:             |                     |                     |
| Depreciation Fund                               | \$ 774,586          | \$ 737,038          |
| <b>Total Restricted Certificates of Deposit</b> | <b>\$ 774,586</b>   | <b>\$ 737,038</b>   |
| Restricted investments:                         |                     |                     |
| Bond Fund                                       | \$ 859,399          | \$ 795,639          |
| Debt Service Reserve Fund                       | 561,582             | 563,024             |
| <b>Total Restricted Investments</b>             | <b>\$ 1,420,981</b> | <b>\$ 1,358,663</b> |

### 4. Capital Assets

Activity of capital assets consists of the following:

| As Of                          | October 1,<br>2024 | Additions &<br>Contributions | Retirements/<br>Transfers | September 30,<br>2025 |
|--------------------------------|--------------------|------------------------------|---------------------------|-----------------------|
| Land and land easements        | \$ 2,195,266       | \$ -                         | \$ -                      | \$ 2,195,266          |
| Water rights                   | 4,002,767          | -                            | -                         | 4,002,767             |
| Intake structures              | 1,383,401          | -                            | -                         | 1,383,401             |
| Water treatment plant          | 19,251,962         | -                            | -                         | 19,251,962            |
| Transmission lines             | 30,689,876         | -                            | -                         | 30,689,876            |
| Storage Tanks                  | 3,371,318          | -                            | -                         | 3,371,318             |
| Vehicles                       | 429,937            | -                            | -                         | 429,937               |
| Furniture and equipment        | 7,067,585          | 508,566                      | 28,650                    | 7,547,501             |
| Construction in process        | 152,814            | 607,128                      | 334,146                   | 425,796               |
| Total Capital Assets           | 68,544,926         | 1,115,694                    | 362,796                   | 69,297,824            |
| Less: Accumulated Depreciation | 36,238,754         | 1,430,712                    | 3,581                     | 37,665,885            |
| Capital Assets, net            | \$ 32,306,172      | \$ (315,018)                 | \$ 359,215                | \$ 31,631,939         |

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 4. Capital Assets (continued)

| As Of                          | October 1,<br>2022 | Additions &<br>Contributions | Retirements/<br>Transfers | September 30,<br>2023 |
|--------------------------------|--------------------|------------------------------|---------------------------|-----------------------|
| Land and land easements        | \$ 2,195,266       | \$ -                         | \$ -                      | \$ 2,195,266          |
| Water rights                   | 4,002,767          | -                            | -                         | 4,002,767             |
| Intake structures              | 1,383,401          | -                            | -                         | 1,383,401             |
| Water treatment plant          | 19,251,962         | -                            | -                         | 19,251,962            |
| Transmission lines             | 30,542,740         | 147,136                      | -                         | 30,689,876            |
| Storage Tanks                  | 3,371,318          | -                            | -                         | 3,371,318             |
| Vehicles                       | 429,937            | -                            | -                         | 429,937               |
| Furniture and equipment        | 6,248,734          | 818,851                      | -                         | 7,067,585             |
| Construction in process        | 526,600            | 506,360                      | 880,146                   | 152,814               |
| Total Capital Assets           | 67,952,725         | 1,472,347                    | 880,146                   | 68,544,926            |
| Less: Accumulated Depreciation | 34,745,615         | 1,493,139                    | -                         | 36,238,754            |
| Capital Assets, net            | \$ 33,207,110      | \$ (20,792)                  | \$ 880,146                | \$ 32,306,172         |

Construction in progress is for the following projects:

| Project                        | Balance<br>9/30/2025 | Balance<br>9/30/2024 | (Est.) Total<br>Cost | (Estimated)<br>Completion |
|--------------------------------|----------------------|----------------------|----------------------|---------------------------|
| Raw Water Booster Pump Station | \$ 324,780           | \$ 57,044            | \$ 4,500,000         | January 2027              |
| Lightening Protection System   | 51,328               | -                    | 315,000              | May 2026                  |
| East Plant Chlorine            | 32,246               | 7,466                | 105,000              | March 2026                |
| Pine Mountain Tank #2 Painting | 17,442               | -                    | 1,315,000            | August 2026               |
| East Plant Ammonia             | -                    | 70,506               | 70,506               | April 2025                |
| West Clarifier #1 Paint        | -                    | 12,017               | 257,859              | May 2025                  |
| West Plant Ammonia             | -                    | 5,781                | 5,781                | cancelled                 |
| Total                          | \$ 425,796           | \$ 152,814           | \$ 6,569,146         |                           |

The District is funding the above projects with its own finances.

### 5. Deferred Revenue

In January 2014, the District received a grant in an amount not to exceed \$1,032,425 from the Delta Dental of Arkansas Foundation. The total proceeds received of \$1,030,942 were used to pay for equipment and labor associated with fluoridating the District's water system. Under the grant terms, the District is required to fluoridate the water for ten years, or refund the proceeds based on a prorated calculation. The grant proceeds were recorded as deferred revenue and the revenue is recognized as earned over the ten year period. The District recognized the remaining grant funding totaling \$101,908 and \$103,243 during the years ended September 30, 2025 and 2024, respectively.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 6. Long-Term Debt

| As Of September 30,  | 2025          | 2024          |
|--|---------------|---------------|
| 2020 Series Water Refunding and Improvement Revenue Bonds,<br>issued July 23, 2020, in the original amount of \$17,145,000.<br>The bonds yield varying rates of interest ranging from 1.00% to<br>4.00%. Final maturity of the bonds is December 1, 2040. The<br>bonds are secured by the District's revenues and all property<br>owned by the District. | \$ 14,295,000 | \$ 14,970,000 |
| Total  | 14,295,000    | 14,970,000    |
| Less current portion   | 705,000       | 675,000       |
| Long-Term Debt   | 13,590,000    | 14,295,000    |
| Plus: unamortized premium  | 451,109       | 480,852       |
| Long-term debt, net  | \$ 14,041,109 | \$ 14,775,852 |

The 2020 Water Refunding and Improvement Revenue Bonds were issued to refund the Series 2014 Water Refunding and Improvement Revenue Bonds and the Series 2015 Water Revenue Bonds, and finance the cost of capital improvements planned by the District which include updates to power generation facilities, pumping and valve upgrades at the water intake facility and continuing segments of a parallel water transmission line.

Debt is scheduled to be repaid as follows:

| September 30, | Interest Rate  | Interest     | Principal     | Total         |
|---------------|----------------|--------------|---------------|---------------|
| 2026          | 4.000%         | \$ 391,263   | \$ 705,000    | \$ 1,096,263  |
| 2027          | 3.000%         | 362,463      | 735,000       | 1,097,463     |
| 2028          | 3.000%         | 336,363      | 760,000       | 1,096,363     |
| 2029          | 3.000%         | 313,263      | 780,000       | 1,093,263     |
| 2030          | 3.000%         | 289,487      | 805,000       | 1,094,487     |
| 2031-2035     | 2.250 - 3.000% | 1,064,262    | 4,410,000     | 5,474,262     |
| 2036-2040     | 2.250 - 2.500% | 441,875      | 5,020,000     | 5,461,875     |
| 2041          | 2.500%         | 13,500       | 1,080,000     | 1,093,500     |
| Total         |                | \$ 3,212,476 | \$ 14,295,000 | \$ 17,507,476 |

The 2020 Series Water Refunding and Improvement Revenue Bond Indenture contains a default provision that in the event of default, the entire unpaid principal and interest amounts become immediately due and payable.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 7. Unamortized Bond Premium and Loss on Advance Bond Refunding

The bond premium incurred in connection with the issuance of the 2020 Series Water Refunding and Improvement Revenue Bonds are deferred and amortized over the term of the bond which is 21 years. Amortization of the bond premium totaled \$29,743 and \$29,744 for the years ended September 30, 2025 and 2024, respectively, and is netted with interest expense in the statement of revenues, expenses and changes in net position. The unamortized portion of \$451,109 and \$480,852 at September 30, 2025 and 2024, respectively, is added to total long-term debt on the statement of net position.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The balance of \$120,938 and \$134,131 at September 30, 2025 and 2024, respectively, is shown as deferred loss on refunding on the statement of net position and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization deferred loss totaled \$13,193 and \$13,194 for the years ended September 30, 2025 and 2024, respectively, and is included in interest expense in the statement of revenues, expenses and changes in net position.

### 8. Rate Covenant

The 2020 Series Water Refunding and Improvement Revenue Bond Indenture 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) make all required deposits into the Debt Service Reserve and Depreciation Funds, and (3) leave a balance equal to 120% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity obligations. The Indenture also requires the District to maintain specific restricted cash accounts and to meet various other general requirements. The District is in compliance with all such significant covenants and restrictions for both years ending September 30, 2025 and 2024.

### 9. Other Long-Term Liabilities

On May 27, 1977, the District signed an agreement with the U.S. Army Corps of Engineers (USACE) to purchase water storage rights at the Beaver Reservoir on the White River, in Arkansas. The contract requires fifty consecutive annual payments for project investment costs plus 0.735% of joint use costs for repair, rehabilitation and replacement (RR&R) and operation and maintenance (O&M) expenses. The total cost of the project was \$742,000. The District is currently making annual payments of \$26,497 with the final repayment scheduled in 2032. The balance outstanding on the contract at September 30, 2025 and 2024 was \$166,971 and \$188,384, respectively.

On June 15, 2006, the USACE allocated additional acre-feet at the Beaver Reservoir to the District. The District was not required to pay for any of the project investment costs, but is required to pay 0.196% of the joint use costs for RR&R and O&M expenses.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 9. Other Long-Term Liabilities (continued)

On May 18, 2020, the USACE allocated additional acre-feet at the Beaver Reservoir to the District. The total project investment cost to the District is \$3,260,767 plus 0.9% of joint use costs for RR&R and O&M expenses. The District is currently making annual payments of \$159,111 with the final payment scheduled in 2049. The outstanding balance on the contract at September 30, 2025 and 2024 is \$2,731,272 and \$2,809,605, respectively.

Future water right payments are scheduled as follows:

| September 30, | Principal    | Interest     | Total        |
|---------------|--------------|--------------|--------------|
| 2026          | \$ 102,577   | \$ 83,031    | \$ 185,608   |
| 2027          | 105,488      | 80,120       | 185,608      |
| 2028          | 108,481      | 77,127       | 185,608      |
| 2029          | 111,559      | 74,049       | 185,608      |
| 2030          | 114,724      | 70,884       | 185,608      |
| 2031-2035     | 542,682      | 305,866      | 848,548      |
| 2036-2040     | 566,633      | 228,922      | 795,555      |
| 2041-2045     | 652,907      | 142,648      | 795,555      |
| 2046-2049     | 593,192      | 43,239       | 636,431      |
| Total         | \$ 2,898,243 | \$ 1,105,886 | \$ 4,004,129 |

### 10. Activity of Long-Term Liabilities

Activity of long-term liabilities is as follows:

| As Of                | October 1, 2024 | Additions & Contributions | Retirements | September 30, 2025 | Due Within One Year |
|----------------------|-----------------|---------------------------|-------------|--------------------|---------------------|
| 2020 Series Bonds    | \$ 14,970,000   | \$ -                      | \$ 675,000  | \$ 14,295,000      | \$ 705,000          |
| USACE - 1977         | 188,384         | -                         | 21,413      | 166,971            | 21,990              |
| USACE - 2020         | 2,809,605       | -                         | 78,333      | 2,731,272          | 80,587              |
| Deferred revenue     | 101,908         | -                         | 101,908     | -                  | -                   |
| Compensated absences | 50,258          | 1,175                     | -           | 51,433             | 24,174              |
| Total                | \$ 18,120,155   | \$ 1,175                  | \$ 876,654  | \$ 17,244,676      | \$ 831,751          |

| As Of                | October 1, 2023 | Additions & Contributions | Retirements | September 30, 2024 | Due Within One Year |
|----------------------|-----------------|---------------------------|-------------|--------------------|---------------------|
| 2020 Series Bonds    | \$ 15,630,000   | \$ -                      | \$ 660,000  | \$ 14,970,000      | \$ 675,000          |
| USACE - 1977         | 209,233         | -                         | 20,849      | 188,384            | 21,412              |
| USACE - 2020         | 2,885,751       | -                         | 76,146      | 2,809,605          | 78,335              |
| Deferred revenue     | 205,151         | -                         | 103,243     | 101,908            | 101,908             |
| Compensated absences | 54,838          | -                         | 4,580       | 50,258             | 18,972              |
| Total                | \$ 18,984,973   | \$ -                      | \$ 864,818  | \$ 18,120,155      | \$ 895,627          |

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 11. Water Sales / Memorandum of Understanding

On December 18, 1998, the District signed a Memorandum of Understanding with the cities of Berryville, Eureka Springs, Green Forest and Harrison, Arkansas. Under the agreement, the District will sell water to the member cities in an amount necessary to meet the cities respective water demands. The Cities will pay the District a rate sufficient to enable the District to pay all debt service, including water storage rights, operation and maintenance cost, maintain all covenants and reserves and maintain other reserves, collectively "total system costs". At the end of the year, if the District's total system costs exceed total water sales, then all users of the District shall be charged with the difference. If the total system costs are less than total water sales, the member cities shall be credited with the difference in the form of a rebate. For the years ended September 30, 2025 and 2024, the District accrued rebates totaling \$4,244 and \$16,840, respectively.

Total sales to the cities were as follows:

| <b>Year Ended September 30, 2025</b> | Gallons<br>(in 000's) | Amount              |
|--------------------------------------|-----------------------|---------------------|
| Harrison                             | 1,171,587             | \$ 2,835,243        |
| Green Forest                         | 999,438               | 2,418,640           |
| Berryville                           | 501,201               | 1,212,906           |
| Eureka Springs                       | 226,658               | 548,511             |
| Other                                | 601                   | 2,545               |
| <b>Total</b>                         | <b>2,899,485</b>      | <b>\$ 7,017,845</b> |

| <b>Year Ended September 30, 2024</b> | Gallons<br>(in 000's) | Amount              |
|--------------------------------------|-----------------------|---------------------|
| Harrison                             | 1,167,615             | \$ 2,766,866        |
| Green Forest                         | 973,718               | 2,306,272           |
| Berryville                           | 477,375               | 1,130,638           |
| Eureka Springs                       | 266,732               | 631,496             |
| Other                                | 2,005                 | 7,097               |
| <b>Total</b>                         | <b>2,887,445</b>      | <b>\$ 6,842,369</b> |

### 12. Concentrations of Credit Risks

Generally accepted accounting principles require disclosure of certain vulnerabilities due to certain concentrations. The District's water sales are to cities located in Northwest and North central Arkansas. Four of these cities comprised approximate 99.9% of the District's total water sales during both years ended September 30, 2025 and 2024. In addition, the District's water supply comes from one source. Any significant reduction in sales to one city or any changes or contamination in the water supply could negatively impact the District. No events have occurred through the date of the financial statements regarding these concentrations that would negatively impact the District.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 13. Retirement Plan

The District sponsors a Simplified Employee Pension (SEP) plan. Employees must be at least 20 years of age and employed by the District for two years to be eligible to participate in the plan. The District contributes 10% of employee compensation up to a maximum of \$20,000 per employee per year. District contributions totaled \$78,868 and \$68,111 for the years ended September 30, 2025 and 2024, respectively.

### 14. Commitments & Contingencies

#### Master Plan

In January 2024, the District completed its Master Plan in order to comply with Arkansas Department of Health (Rules and Regulations Pertaining to Public Water Systems) requirement that Master Plan reports be updated at least every five years.

The update to the Master Plan evaluates the projected water needs of the District to serve the member cities over a 20-year design horizon and recommends specific improvements for transmission and storage improvements necessary to meet present and long-term needs. Utilizing the hydraulic model, the District's engineering firm analyzed the effect of future demands on the transmission system, as the District's long-term goal is to parallel the transmission main from the water treatment plant to the Pine Mountain Tanks. The first segment of the parallel main was completed in 2017. The second segment is currently under design and 85% complete.

Recent actual maximum day demands have exceeded the current capacity. Future demand projections indicate that maximum demands may reach 80% of the treatment capacity within the next five to ten years. To accommodate increased demands and add treatment redundancy, the District's engineering firm has developed recommendations to increase treatment capacity.

The 2024 Master Plan recommendations are divided into three phases as follows:

Phase I (2023 -2028) - includes a raw water booster station upgrade which is estimated to cost \$4.5 million. This project is currently on progress (see Note 4).

Phase II (2028-2033)-Includes an East water treatment plant expansion to include an additional 6-MGD of treatment capacity. The expansion will require the construction of a new 6-MGD clarifier, a new .5MG clearwell and filter units, and an additional 6-MGD raw water booster pump, miscellaneous chemical feed, yard piping, and electrical improvements, estimated at \$28.1 million.

Phase III (2033-2043) - includes the parallel transmission line from Berryville to Green-Berry Booster Station and is estimated to cost \$7.4 million.

# CARROLL-BOONE WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

### 14. Commitments & Contingencies (continued)

#### Solids (Sludge) Removal

In 2024, the District signed an agreement for the calendar years 2024 through 2026 for the removal of solids, including transportation and disposal at a rate of \$0.058, \$0.059 and \$0.060, respectively, per gallon of solids removed. The District was not able to remove any solids during the year ended September 30, 2025, due to a permit issue. The District continues to work on the issue as of the date of the financial statements. Therefore, the District did not incur any expenses for solids removal during the year ended September 30, 2025. The District incurred expenses totaling \$84,599 for solids removal under the contract during the year ended September 30, 2024. The District has an accrual for solids removal to cover unbilled expenses owed totaling \$100,782 and \$99,149 at September 30, 2025 and 2024, respectively, that is included with accrued liabilities on the statement of net position. Solids removal is expected to resume in the Spring of 2026.

### 15. 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 commercial insurance for these risks of losses, as well as other risks of loss such as workers' compensation insurance, general liability and property insurance.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

### 16. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended September 30, 2025 through December 22, 2025, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

***ADDITIONAL REQUIRED 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***

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To the Board of Commissioners  
Carroll-Boone Water District  
Eureka Springs, 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 Carroll-Boone Water District, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated December 22, 2025.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carroll-Boone Water 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 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carroll-Boone Water 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 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*.

### **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.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**December 22, 2025**