LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lakeside Water Association, Inc.
Waldo, Arkansas 71770

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lakeside Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lakeside Water Association, Inc. as of December 31, 2025, and the changes in its net assets and its cash flows for the year ended in conformity 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 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 Lakeside Water Association, Inc. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeside Water Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakeside Water Association, Inc.'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 Lakeside Water Association, Inc.'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.

Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the Lakeside Water Association, Inc.'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 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 internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakeside Water Association, Inc.'s internal control over financial reporting and compliance.

Wood and Wood Ltd

Wood and Wood, Ltd.
Magnolia, AR

June 30, 2026

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

STATEMENT OF FINANCIAL POSITION
December 31, 2025

Assets	
Cash and Cash Equivalents, Inclusive of $5,028 Meter Deposits	$ 698,777
Accounts Receivable-Customers	41,217
Prepaid Insurance	10,722
Property and Equipment, Net of Depreciation	1,276,604
Designated Assets:	
Cash and Cash Equivalents, Net of $5,028 Meter Deposits	253,016
Accrued Interest Receivable	1,101
Utility Meter Deposits	700
Total Assets	$ 2,282,137
Liabilities and Net Assets	
Liabilities:	
Accounts Payable	$ 16,409
Accrued Wages	2,823
Accrued and Withheld Payroll Taxes	2,495
Other Taxes Payable	4,422
Notes Payable-Current Portion of Long-Term Debt	73,665
Accrued Interest Payable	448
Customer Meter Deposits	70,748
Long-Term Debt	644,021
Total Liabilities	$ 815,031
Net Assets	
Without Donor Restrictions:	
Undesignated	$ 1,283,037
Designated by Contractual Obligation	184,069
Total Net Assets	$ 1,467,106
Total Liabilities and Net Assets	$ 2,282,137

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

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

Revenues, Gains and Other Support	Without Donor Restrictions	With Donor Restrictions	Total
Income-Water Sales	$ 462,344	$	$ 462,344
Income-Taps and Connections	10,070		10,070
Income-Late Charges	14,505		14,505
Income-Unclassified	823		823
Income-Interest	25,310		25,310
Total Revenues, Gains and Other Support	$ 513,052	$ 0	$ 513,052
Expenses and Losses			
Purchased Water	$ 155,481	$	$ 155,481
Chemicals and Supplies	4,677		4,677
Insurance	13,655		13,655
Salaries, Wages and Labor	78,504		78,504
Lease & Rental Costs	5,398		5,398
Legal and Accounting	6,740		6,740
Office Expense	8,175		8,175
Taxes-Payroll	4,871		4,871
Miscellaneous	812		812
Utilities and Telephone	17,689		17,689
Small Tools and Repairs	54,993		54,993
Automotive	1,150		1,150
Depreciation	91,580		91,580
Interest	34,304		34,304
Total Expenses and Losses	$ 478,029	$ 0	$ 478,029
Changes in Net Assets	$ 35,023	$	$ 35,023
Net Assets, Beginning of Year	1,432,083		1,432,083
Net Assets, End of Year	$ 1,467,106	$ 0	$ 1,467,106

The accompanying notes are an integral part these financial statements.

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

STATEMENT OF CASH FLOWS
For the year ended December 31, 2025

Cash Flows from Operating Activities	
Cash Receipts from Members	$ 523,473
Cash Receipts from Interest	25,265
Cash Paid for Salaries and Wages	(78,585)
Cash Paid to Suppliers for Goods and Services	(279,772)
Cash Paid for Sales Tax Collected	(33,410)
Cash Paid for Purification Tax Collected	(4,358)
Cash Paid for Current Interest	(34,446)
Net Cash Provided (Used) by Operating Activities	$ 118,167
Cash Flows from Financing Activities	
Purchase of Equipment	$(29,219)
Debt Reduction, Long-Term Borrowing	(70,457)
Net Cash Provided (Used) by Financing Activities	$(99,676)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 18,491
Cash and Cash Equivalents, Beginning of Year	933,302
Cash and Cash Equivalents, End of Year	$ 951,793
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities	
Change in Net Assets	$ 35,023
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	91,580
Change in Operating Assets and Liabilities:	
Decrease in Accounts Receivable	(1,611)
Increase in Prepaid Insurance	(3,591)
Decrease in Accrued Interest Receivable	(45)
Decrease in Accounts Payable-Trade	(6,131)
Increase in Accrued Wages	(81)
Increase in Accrued and Withheld Payroll Taxes	70
Increase in Other Taxes Payable	1
Increase in Member Meter Deposits	3,094
Decrease in Accrued Interest Payable	(142)
Net Cash Provided (Used) by Operating Activities	$ 118,167

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

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

STATEMENT OF FUNCTIONAL EXPENSE
For the year ended December 31, 2025

	Program Services	Management and General	Total
Purchased Water	$ 155,481	$	$ 155,481
Chemicals and Supplies	4,677		4,677
Insurance	13,655		13,655
Salaries, Wages and Labor	49,262	29,242	78,504
Lease & Rental Costs	5,398		5,398
Legal and Accounting	5,775	965	6,740
Office Expense	7,107	1,068	8,175
Taxes-Payroll	3,307	1,564	4,871
Miscellaneous	812		812
Utilities and Telephone	15,998	1,691	17,689
Small Tools and Repairs	49,677	5,316	54,993
Automotive	1,150		1,150
Depreciation	91,580		91,580
Interest	34,304		34,304
Total Functional Expenses	$ 438,183	$ 39,846	$ 478,029

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

NOTES TO ACCOMPANY FINANCIAL STATEMENTS
December 31, 2025

Note A: Summary of Significant Accounting Policies

The Lakeside Water Association, Inc., was formed as a domestic non-profit corporation, without capital stock, on November 16, 1984, under the laws of the State of Arkansas, for the primary purpose of associating members together for their mutual benefit to construct, maintain and operate a private water system for the supplying water to its members, in designated areas of Columbia County, Arkansas, and engage in any activities related thereto. An elected Board of Directors conducts operations of the corporation.

The accounting policies of the Lakeside Water Association, Inc. are designed to conform to accounting principles generally accepted in the United States of America applicable to domestic non-profit corporations engaged in the construction of a water system for the purpose of supplying water to its members. The system became operational during August 1995 and began supplying water to its members.

(1) The Reporting Entity

The Lakeside Water Association, Inc., is an independent entity, and conducts its operations in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to its members on a continuing basis be financed or recovered through user charges.

(2) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made regardless of the management focus applied.

The Lakeside Water Association, Inc. uses the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when they are incurred.

(3) Cash and Cash Equivalents

The Lakeside Water Association, Inc. maintains cash deposits and cash equivalents; ie; checking accounts, savings accounts and certificates of deposit in various banks within Columbia County Arkansas. Certificates of deposit are considered to be cash and cash equivalents, regardless of maturity dates.

For the purpose of the statement of cash flows the Lakeside Water Association, Inc. considers checking accounts, savings accounts, mutual fund investments, and certificates of deposit of short-term duration, to be cash and/or cash equivalents.

(4) Accounts Receivable

The Lakeside Water Association, Inc. member water usage is billed to the users (members) in the month of usage and recorded as accounts receivable. The meters are read toward the end of each month prior to billing. There are no unbilled receivables. Accounts are presented net of write offs. The Association uses the direct write-off method to account for bad debts as meter deposits are held in lieu of using an allowance.

(5) Property, Plant and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities of the Lakeside Water Association, Inc. is determined by its measurement focus.

Property, plant, and equipment are valued at historical cost. Donated property, plant and equipment are valued at their estimated fair market value on the date donated.

The Lakeside Water Association, Inc. accounts for its property, plant and equipment on a cost of service or "capital maintenance" measurement focus; ie; all assets or liabilities (whether current of non-current) are included on its statement of net position.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. The estimated useful lives are as follows:

Water System and Elevated Tanks	40 years
Water System Equipment	10 Years
Building-Administrative	40 Years
Building-Storage	10 Years
Parking Lots	5 Years
Office Equipment	5 Years
Automotive	5 Years

(6) Payable from Designated Assets

The Lakeside Water Association, Inc. designates certain assets for the payment of members meter deposits, designated debt service reserve, costs related to construction and/or system additions and current debt service as well as interest accruals. These assets are as follows:

Cash Payable-Contra to Current Funds	$ 0
Cash in Bank-Meter Deposit Reserve	70,748
Cash in Bank-Debt Service Reserve	182,268
	$ 253,016

(7) Credit Risk

The Lakeside Water Association, Inc. provides water to its members located in designated rural areas of Columbia County, Arkansas.

(8) Income Taxes

The Lakeside Water Association, Inc. is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (12) and is not classified as a private foundation. Accordingly, no provision for federal income taxes has been made. The Organization's tax returns are open to examination by taxing authorities for years ending in 2025, 2024, 2023, and 2022, generally for a period of three years subsequent to the date of filing the return.

(9) 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B: Property, Plant, and Equipment

The following is a summary of property, plant and equipment of Lakeside Water Association, Inc. as recorded as of December 31, 2025:

	Cost 12-31-25	Accumulated Depreciation	Book Value 12-31-25
System and Equipment	$ 3,625,096	$ 2,426,484	$ 1,198,612
System Addition-Completed	52,678	34,372	18,306
Buildings and Parking	84,983	42,843	42,140
Office Furniture and Equipment	18,735	16,745	1,990
Automotive and Other Equipment	115,238	99,682	15,556
	$ 3,896,730	$ 2,620,126	$ 1,276,604

Depreciation expense for the year ending 12-31-25 totaled $91,580.

The following is a summary of changes to property, plant, and equipment during the year ending December 31, 2025.

	Balance 1-01-24	Add/Tran 2024	Del/Tran 2024	Balance 12-31-24
System	$3,625,096	$	$	$3,625,096
System Addition	52,678			52,678
Buildings and Parking	57,805	27,178		84,983
Office Furniture & Equipment	16,694	2,041		18,735
Automotive & Other Equipment	115,238			115,238
	$3,867,511	$ 29,219	$ 0	$3,896,730

The following property was donated to the Lakeside Water Association, Inc. during the years 1993 and 1994. The property has not been valued (estimated fair market value at date of donation) and therefore has not been recorded in the books of Lakeside Water Association, Inc.

(1) Drake Land: Donated for Pump Station Site.
Approximately 0.014 acres. Description contained in warranty deed dated June 28, 1993, and recorded in Book 302, Page 327, Columbia County, Arkansas. Value not stated.

(2) Skinner Land: Donated for Administrative Building and Parking Facilities.
Approximately 0.562 acres. Description contained in warranty deed dated August 1, 1994, and recorded in Book 308, Page 177, Columbia County, Arkansas. Value not stated.

(3) Gantt Land: Donated for Water Tank Site.
Approximately 0.2296 acres. Description contained in warranty deed dated June 22, 1993, and recorded in Book 302, Page 327, Columbia County, Arkansas. Value not stated.

(4) Magale Land: Donated for Pump Station Site.
Approximately 0.013 acres. Description contained in warranty deed dated July 19, 1993, and recorded in Book 302, Page 325, Columbia County, Arkansas. Value not stated.

Note C: Long-Term Debt

The obligations, described as USDA-Rural Development Administration loans, are payable solely from revenues derived from the operation of the system. The resolutions authorizing and providing for the incurrence of indebtedness provides for a pledge of sufficient amounts of system revenues to pay principal and interest on such loans as well as providing for, by the USDA-Rural Development Administration loans, a statutory mortgage lien upon the water system (including all improvements, extensions and betterments now and hereafter existing) which shall exist in the favor of the mortgage holder and the water system shall remain subject to such statutory mortgage lien until full payment of note principal and interest is made.

The annual requirements to amortize the loans, subsequent to payment of required annual interest payments, for the ensuing five years are as follows:

USDA-RDA-Initial Loan

Year Ending December 31	Payment Amount	Loan Interest	Principal Payment
2026	$ 92,832	$ 27,379	$ 65,453
2027	92,832	24,366	68,466
2028	92,832	21,278	71,554
2029	92,832	17,922	74,910
2030	92,832	14,474	78,358
2031-2034	299,668	21,288	278,380
	$ 763,828	$ 126,707	$ 637,121

USDA-RDA-Subsequent Loan

Year Ending December 31	Payment Amount	Loan Interest	Principal Payment
2026	$ 12,072	$ 3,860	$ 8,212
2027	12,072	3,428	8,644
2028	12,072	2,994	9,078
2029	12,072	2,519	9,553
2030	12,072	2,030	10,042
2031-2034	37,942	2,906	35,036
	$ 98,302	$ 17,737	$ 80,565

The USDA-Rural Development Administration loan agreements dated May 25, 1994, and letter of conditions dated March 18, 1994 require the following bank accounts be established when the system becomes operational and is providing service to its members.

(1) General Account-All revenues received by the system through its operations are to be deposited in this account. The disbursement priority from this account is as follows:

(A) Payment to a debt service account or payment of monthly debt service requirements

(B) Payment of the cost of operation and maintenance of the system.

(C) Payment to a debt service reserve account; ie; letter of conditions dated March 18, 1994.

(D) Other requirements.

(2) Debt Service Account-This account is not required where monthly debt service payments are made by the borrower. However, use is not precluded if the system desires to accumulate sufficient amounts to pay per-annum interest payments prior to such time as monthly debt service payments are required.

(3) Debt Service Reserve Account-This account is to be funded from the general account in the amount of $874 per month, after the system becomes operational and is providing service to its members, for a period of 10 years or until the balance of such account is $104,892. Transfers may then be suspended. The present balance of this account is $182,268.

(A) When necessary, funds may be used for payment of monthly debt service requirements if such funds are not available in the general account. However, such funds are required to be replaced.

(B) With prior written approval of the government, funds may be withdrawn for the following purposes. However, such funds are required to be replaced.

(1) Payment of repair or replacing any damage to the system which may have been caused by catastrophe.

(2) Making extensions or improvements to the system.

The Lakeside Water Association, Inc. is in compliance with debt service reserve transfers required by USDA-Rural Development Administration as of December 31, 2025.

Note D: Deposits

At December 31, 2025, the banks carrying balance of the Lakeside Water Association, Inc. bank balances were $955,741. The book balances of Lakeside Water Association, Inc. were $951,655. These balances are maintained in two financial institutions. The funds are in excess of FDIC insured limits by $451,655.

Note E: Fair Value

The carrying amounts reflected in the statement of financial position relative to cash and cash equivalents approximate the respective fair values of such amounts. The long-term debt of the entity, as presented on the statement of financial position, approximates the market price of such instruments in similar circumstances.

Note F: Schedule of Net Assets

	Undesignated	Contractual Designation
Assets		
Cash and Cash Equivalents	$ 698,777	$ 253,016
Accounts Receivable	41,217	
Prepaid Insurance	10,722	
Property & Equipment, Net	1,276,604	
Interest Receivable		1,101
Utility Meter Deposits		700
Total	$ 2,027,320	$ 254,817
Liabilities		
Accounts Payable	$ 16,409	$
Accrued Wages	2,823	
Accrued and Withheld Taxes	6,917	
Notes Payable-Current	73,665	
Notes Payable-Long Term	644,021	
Accrued Interest Payable	448	
Customer Meter Deposits		70,748
Total	$ 744,283	$ 70,748
Net Assets	$ 1,283,037	$ 184,069

Note G: Water Purchase Contract

A contract for the sale and purchase of water, dated January 11, 1993, between the Magnolia Water System (seller) and the Lakeside Water Association, Inc. (purchaser) was approved by the United States Department of Agriculture-Rural Development Administration on March 16, 1993.

Seller Agreements

(1) To furnish purchaser, at point of delivery, during the term of the contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Arkansas Department of Health in quantities required by the purchaser, not to exceed 8 million gallons per month.

(2) To furnish water at a reasonably constant pressure at the point of delivery. (50 PSI from a 6 inch main) if greater pressure is required by purchaser, all associated costs therewith are to be paid by purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the seller from this provision for such reasonable period of time as may be necessary to restore service.

(3) To furnish, install, operate, and maintain at its expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to purchaser and to calibrate the metering equipment whenever requested by the purchaser, but not more frequently than once every twelve months. A 2% variance above or below the test is deemed accurate. The previous readings of any meter disclosed to be inaccurate are to be corrected by the twelve months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless seller and purchaser agree upon a different amount.

(4) The metering equipment shall be read on the 25th of each month and to furnish the purchaser, no later than the 10th day of each month, an itemized statement of the amount of water furnished the purchaser during the preceding month. (An appropriate official of the purchaser at all reasonable times shall have access to such meter for the purpose of verifying its readings).

Purchaser Agreements

(1) To pay the seller, not later than the 25th day of each month, for water delivered in accordance with the following schedule of rates:

1ST	1,000	gallons	$	10.20	per 1,000 gallons
All Over	1,000	gallons		2.81	per 1,000 gallons

These rates per the Magnolia Water System are effective on November 1, 2023.

(2) To pay as an agreed cost, a connection fee to connect the seller's system to the purchaser's system, the sum of $10,000 which shall cover any and all costs of the seller for installation of the metering equipment and facilities. The connection fee is to be adjusted following installation to reflect the actual cost of the installation.

(3) Estimated purchases under this commitment for each of the five succeeding years are as follows:

Year 1	$158,590
Year 2	$161,762
Year 3	$164,998
Year 4	$168,297
Year 5	$171,663

These estimates are based on current market projections and are subject to change depending on operational needs, market conditions, and other factors.

Mutual Agreements (Partial)

(1) Contract term, 40 years from the date of the initial delivery of water, with provisions for renewal or extension.

(2) Water for testing of the purchaser's system is to be made available to the contactor, the cost of such water be computed at meter rate.

(3) The seller will at all times, operate and maintain its system in an efficient manner and will take action as may be necessary to furnish the purchaser with quantities of water required by the purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. Extended shortages of water or the supply of water available to the seller is otherwise diminished over an extended period of time, the supply of water to purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to seller's consumers is reduced or diminished.

(4) That the provisions of the contract pertaining to the schedule of rates to be paid by the purchaser for water delivered are subject to modification at the end of a three-year period. Subsequent to the three-year period, the schedule of rates will be subject to modification at the end of every one-year period. At the end of the three-year period, purchaser will begin paying the current standard wholesale water rate set and charged by seller. If, during the three-year period, the wholesale water rate has increased, the purchaser agrees to pay seller the amount of increase. Payment of the amount of increase is to be made in the thirty-six equal monthly installments without interest.

Note H: Lease and Rental Cost

The Association has certain operating lease arrangements for land. Management evaluated these arrangements under ASC 842 and determined that the related right-of-use assets, lease liabilities, and lease-related disclosures are not material to the Company's financial statements.

The lease and rental and costs during 2025 are as follows:

(1) Union Pacific Railroad annual permits-Railroad Management Co.	$	4,214
(2) Paula Metzellers annual tank site lease payment The lease is for a period of 99 years with provisions for rental adjustment for each ten-year period. Recorded in Book 307, Page 156, Columbia County, Arkansas		1,184
	$	5,398

Management's conclusion was based on an assessment of both quantitative and qualitative factors, including the insignificant amount of future lease obligations relative to the Association's assets, liabilities, revenues, and equity. Accordingly, the Association has not separately presented right-of-use assets or lease liabilities in the accompanying financial statements, as any amounts that would have been recognized are not material.

Note I: Insurance in Force

The Lakeside Water Association, Inc., in accordance with the provisions of the letter of conditions dated March 18, 1994, will be responsible for obtaining and maintaining the following types of insurance during the lifetime of the loans obtained to construct the water system.

(1) Property Insurance: Fire and extended coverage insurance is required on major items of equipment and machinery, including pumps, electrical items and all above-ground structures.

(2) Workmen's Compensation Insurance: Required on all employees in accordance with Arkansas laws.

(3) Liability and Property Damage Insurance: Required as determined appropriate, subject to USDA-Rural Development Administration approval.

(4) Fidelity Bonds: Coverage required for all persons having access to funds. Coverage may be provided for individual positions, or through "Blanket Coverage" required by UDSA-Rural Development Administration is to be equal to the annual debt payment for all outstanding loans owed to USDA-Rural Development Administration.

(5) Flood Insurance: Coverage required on any structure located in a flood plain other than the intake structure and lines.

Insurance in force as of December 31, 2025, is as follows:

EMC Insurance Companies		
Commercial Property	No. 2A77429-09	Term 7-16-25 through 7-16-26
General Liability	No. 2D77429-09	Term 7-16-25 through 7-16-26
Directors Liability	No. 2K77429-09	Term 7-16-25 through 7-16-26
Fidelity Policy	No. 2F77429-09	Term 7-16-25 through 7-16-26
Workman Comp.	No. 2H77429-09	Term 7-16-25 through 7-16-26
First Arkansas Insurance		
Highway Bond	No. 5278759	Term 7-24-25 through 7-24-26

Southern Farm Bureau Insurance Co.
Automotive No. MV00859443 Term 12-19-25 through 6-19-26

Note J: Liquidity

Lakeside Water Association, Inc. manages its cash available to meet general expenditures through the following guiding principles: (1) Operating within a prudent range of financial soundness and stability, and (2) Maintaining adequate liquid assets.

The following provides a summary of financial assets available for general expenditures at December 31, 2025:

Cash and Cash Equivalents	$ 951,793
Accounts Receivable	41,217
Financial Assets at Year-End	$ 993,010
Amounts not Available for General Expenditure within 1 Year	
Designated Cash for Debt Service	(182,268)
Designated Cash for Meter Deposits	(70,748)
Financial Assets Available to Meet Requirements within 1 Year	$ 739,994

Note K: Management Review

The management of Lakeside Water Association, Inc. has evaluated subsequent events through June 30, 2026, the date the financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

SCHEDULES OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and Cash Equivalents	$ 698,777	$ 689,877
Accounts Receivable-Customers	41,217	39,606
Prepaid Insurance	10,722	7,131
Property and Equipment, Net of Depreciation	1,276,604	1,338,965
Designated Assets:		
Cash and Cash Equivalents	253,016	243,425
Accrued Interest Receivable	1,101	1,056
Utility Meter Deposits	700	700
Total Assets	$ 2,282,137	$ 2,320,760
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	$ 16,409	$ 22,540
Accrued Wages	2,823	2,904
Accrued and Withheld Payroll Taxes	2,495	2,425
Other Taxes Payable	4,422	4,421
Notes Payable-Current Portion of Long-Term Debt	73,665	70,393
Accrued Interest Payable	448	590
Customer Meter Deposits	70,748	67,654
Long-Term Debt	644,021	717,750
Total Liabilities	$ 815,031	$ 888,677
Net Assets		
Without Donor Restrictions:		
Undesignated	$ 1,283,037	$ 1,254,556
Designated by Contractual Obligation	184,069	177,527
Total Net Assets	$ 1,467,106	$ 1,432,083
Total Liabilities and Net Assets	$ 2,282,137	$ 2,320,760

See Independent Auditors' Report.

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2025 and 2024

	2025	2024
Revenues, Gains and Other Support		
Income-Water Sales	$ 462,344	$ 475,357
Income-Taps and Connections	10,070	19,371
Income-Late Charges	14,505	15,500
Income-Unclassified	823	1,038
Income-Interest	25,310	23,039
Total Revenues, Gains and Other Support	$ 513,052	$ 534,305
Expenses and Losses		
Purchased Water	$ 155,481	$ 154,791
Chemicals and Supplies	4,677	6,633
Insurance	13,655	11,974
Salaries, Wages and Labor	78,504	67,974
Lease Costs	5,398	5,275
Legal and Accounting	6,740	6,415
Office Expenses	8,175	8,581
Taxes-Payroll	4,871	4,683
Miscellaneous	812	688
Utilities and Telephone	17,689	16,403
Small Tools and Repairs	54,993	37,698
Automotive	1,150	1,102
Depreciation	91,580	90,129
Interest	34,304	37,543
Total Expenses and Losses	$ 478,029	$ 449,889
Changes in Net Assets	$ 35,023	$ 84,416
Net Assets Beginning of Year	1,432,083	1,347,667
Net Assets End of Year	$ 1,467,106	$ 1,432,083

See Independent Auditors' Report.

LAKESIDE WATER ASSOCIATION, INC.
Waldo, Arkansas

SCHEDULES OF CASH FLOWS
For the years ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Cash Receipts from Members	$ 523,473	$ 554,986
Cash Receipts from Interest	25,265	24,328
Cash Paid for Salaries and Wages	(78,585)	(67,538)
Cash Paid to Suppliers for Goods and Services	(279,772)	(283,764)
Cash Paid for Sales Tax Collected	(33,410)	(33,612)
Cash Paid for Purification Tax Collected	(4,358)	(4,358)
Cash Paid for Current Interest	(34,446)	(37,594)
Net Cash Provided (Used) by Operating Activities	$ 118,167	$ 152,448
Cash Flows from Capital and Related Financing Activities		
Purchase of Equipment	$(29,219)	$(15,066)
Debt Reduction, Long-Term Borrowing	(70,457)	(67,327)
Net Cash Provided (Used) by Capital and Related Financing Activities	$(99,676)	$(82,393)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 18,491	$ 70,055
Cash and Cash Equivalents, Beginning of Year	933,302	863,247
Cash and Cash Equivalents, End of Year	$ 951,793	$ 933,302

Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities

	2025	2024
Change in Net Assets	$ 35,023	$ 84,416
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	91,580	90,129
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,611)	5,528
(Increase) Decrease in Prepaid Insurance	(3,591)	(294)
(Increase) Decrease in Accrued Interest Receivable	(45)	251
Increase (Decrease) in Accounts Payable-Trade	(6,131)	(31,144)
Increase (Decrease) in Accrued Wages	(81)	436
Increase (Decrease) in Accrued and Withheld Payroll Taxes	70	482
Increase (Decrease) in Other Taxes Payable	1	26
Increase (Decrease) in Member Meter Deposits	3,094	2,669
Increase (Decrease) in Accrued Interest Payable	(142)	(51)
Net Cash Provided (Used) by Operating Activities	$ 118,167	$ 152,448

See Independent Auditors' Report.

SUPPLEMENTARY NON-FINANCIAL INFORMATION

WOOD AND WOOD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

K.DALE WOOD, CPA (1933-2021)
WALTER D. WOOD, CPA
WILLIAM E. WOOD, CPA

519 NORTH WASHINGTON
MAGNOLIA, ARKANSAS 71753
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lakeside Water Association, Inc.
Waldo, Arkansas 71770

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lakeside Water Association, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeside Water Association, Inc.'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 Lakeside Water Association, Inc.'s internal control. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakeside Water Association, Inc.'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 determination of financial statement amounts. 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wood and Wood, Ltd.

Wood and Wood, Ltd.
Magnolia, AR

June 30, 2026