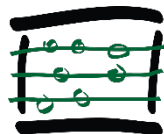


Beaver Water District of Washington and Benton Counties

Independent Auditors' Report
with
Financial Statements
and
Supplemental Information

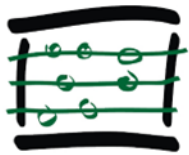
For the Years Ended September 30, 2025 and 2024



Abacus CPAs, LLC[®]
Better Guidance. Smarter Decisions.

**Beaver Water District of
Washington and Benton Counties
Financial Statements
September 30, 2025 and 2024**

Independent Auditors' Report	1
Management's Discussion and Analysis	5
Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Supplemental Information	
Schedules of Unrestricted Cash and Investments	28
Schedules of Restricted Cash and Investments	29
Single Audit Financial Statements	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	32
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37
Summary Schedule of Prior Audit Findings	39



Independent Auditors' Report

To the Board of Directors of
Beaver Water District of Washington and Benton Counties
Lowell, AR 72745

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Beaver Water District of Washington and Benton Counties (the District), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund as of September 30, 2025 and 2024, and the respective changes in financial position, and cash flows thereof 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

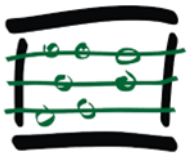
Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditors' Responsibility

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 auditors' 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 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 District's ability to continue as a going concern for a reasonable period of time.

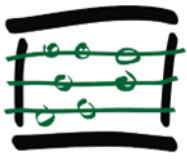
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

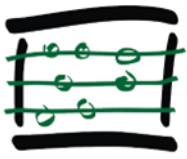
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of unrestricted cash and investments and schedules of restricted cash and investments are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2026, on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

Abacus CPAs, LLC

Springfield, Missouri

January 23, 2026

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2025 and 2024**

The following is a discussion and analysis of Beaver Water District of Washington and Benton Counties (Beaver Water District) financial performance for the years ending September 30, 2025, and 2024. This analysis, in conjunction with the District's financial statements and notes to financial statements, provides a complete analysis of those statements.

FINANCIAL HIGHLIGHTS

FY 2024 to FY 2025

- The District's Total Net Position increased by \$19.3 million or 8.3%.
- Operating Revenues increased by \$5.4 million or 12.4%.
- Operating Expenses, before depreciation, increased \$3.8 million or 15.4%.
- Operating Income totaled \$16,897,724 in FY 2025.
- Property, Plant and Equipment, net of depreciation, increased \$92.3 million or 61.1%.
- Related to debt on the Western Corridor Pipeline, long-term debt increased by \$24.5 million or 90.6%.
- Related to the Series 2025 Water Revenue Bond issuance, long-term debt increased by \$100.2 million.

FY 2023 to FY 2024

- The District's Total Net Position increased by \$21.4 million or 10.1%.
- Operating Revenues increased by \$5.4 million or 14.4%.
- Operating Expenses, before depreciation, increased \$535 thousand or 2.6%.
- Operating Income totaled \$16,219,174 in FY 2024.
- Property, Plant and Equipment, net of depreciation, increased \$39.1 million or 34.8%.
- Related to debt on the Western Corridor Pipeline, long-term debt increased by \$23.3 million or 428.4%.

DISTRICT HIGHLIGHTS

FY 2024 to FY 2025

- The District's Long-Term Financial Plan was updated in May 2025, and the District's Board determined a 15 cent (9%) rate increase would be adopted for fiscal year 2026, beginning 10/1/25. The updated rate for FY 2026 is \$1.82 per thousand gallons sold.
- The District continued borrowing on a Drinking Water Revolving Loan by the Arkansas Natural Resources Commission for construction of the Western Corridor Pipeline Expansion Project. As of September 30, 2025, the accumulated expenses on the project for principal and interest totaled \$51,628,846.
- Water sales increased by 1.03 billion gallons year over year, an increase of 3.7%. Sales were higher for three of the four customer cities, including a 6.3% increase to Fayetteville, a 3.7% increase to Springdale, and a 3.4% increase to the City of Bentonville. Sales to the City of Rogers decreased by 1.7%.

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2025 and 2024**

- On August 19, 2025, the District issued water revenue bonds with a principal amount of \$100,170,000 for an issue price of \$101,049,522. The proceeds of the bond are expected to be used to fund the first phase of improvements to the District's water system, including construction of a water treatment plant, a clearwell, a raw water pipeline, and other related capital projects.
- During FY 2025, the District commenced construction of a 4.99-megawatt solar generating facility and continued construction of the Western Corridor Pump Station, with completion of both projects expected in 2026. The Western Corridor Pump Station will provide an additional connection point to the District's customer cities, which will increase conveyance capacity and water supply reliability to the cities.

FY 2023 to FY 2024

- The District's Long-Term Financial Plan was updated in May 2024 and the District's Board determined a 13 cent (8.4%) rate increase would be adopted for fiscal year 2025, beginning October 1, 2024. The updated rate for FY 2024 is \$1.67 per thousand gallons sold.
- The District continued borrowing on a Drinking Water Revolving Loan by the Arkansas Natural Resources Commission in the amount of \$125,686,157. That application was approved for the purpose of funding the Western Corridor Pipeline Expansion Project. As of September 30, 2024, the accumulated expenses on the pipeline project for principal and interest totaled \$27,251,377.
- Water sales increased by 2.2 billion gallons year over year, an increase of 8.4%, setting a new sales record for the District. Sales were higher to all four customer cities, including a 4.4% increase to Fayetteville, a 10.8% increase to Springdale, a 4.9% increase to Rogers and an 18.4% increase to the City of Bentonville.
- Acquisition of easements and property for the Western Corridor facilities continued.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, the Financial Statements, and Required Supplementary Information. The Notes to Financial Statements contain additional details related to information contained in the Financial Statements.

The Financial Statements of the District present information based on the accrual basis of accounting, which is the method normally used by private sector companies. The Statement of Net Position provides information on the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position provides information on the District's revenues and expenses for the fiscal years ending September 30, 2025 and 2024. This statement can determine whether the District recovered all costs and expenses, primarily through water sales to its customers, and the financial standing and credit worthiness of the District.

The third financial statement is the Statement of Cash Flows, which provides information on the District's cash receipts, cash payments, and changes in cash related to investment activity, financing activity, and capital asset acquisition.

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2025 and 2024**

ASSETS

Total Assets increased by a net of \$151.4 million (57%) during the Fiscal Year ended September 30, 2025. This increase is primarily comprised of an increase in restricted investments resulting from the issuance of the Series 2025 Water Revenue Bonds of \$100.2 million, combined with an increased investment in Property, Plant, and Equipment, related to acquisition of land for the western corridor pipeline and construction of the pipeline and pump station.

The decrease in Current Assets was primarily due to a net increase of \$65.4 million in restricted investments from the Series 2025 Water Revenue Bonds, which are non-current. Unrestricted investments decreased by \$16.5 million primarily as a result of changes to fund designations.

LIABILITIES

Total Liabilities increased \$132 million primarily related to the issuance of the Series 2025 Water Revenue Bonds in the amount of \$101.1 million. A portion of the increase was due to a \$24.5 million increase related to a Drinking Water State Revolving Fund (SRF) Loan for the construction of the Western Corridor Pipeline Expansion Project.

REVENUES

Operating Revenues, which consist primarily of water sales to the District's customer cities of Fayetteville, Springdale, Rogers, and Bentonville, Arkansas, increased by \$5.4 million or 12.4%. Non-operating Revenues decreased by approximately \$5.8 million. This category is comprised of investment income, net increase or decrease in fair market value of investments, and bond issuance costs. Investment income on the District's investments totaled \$3.1 million which was comparable to the prior year. Net unrealized losses on investments totaled \$2.4 million compared to \$2.2 million in net unrealized gains in FY 2024 as a result of market fluctuations.

EXPENSES

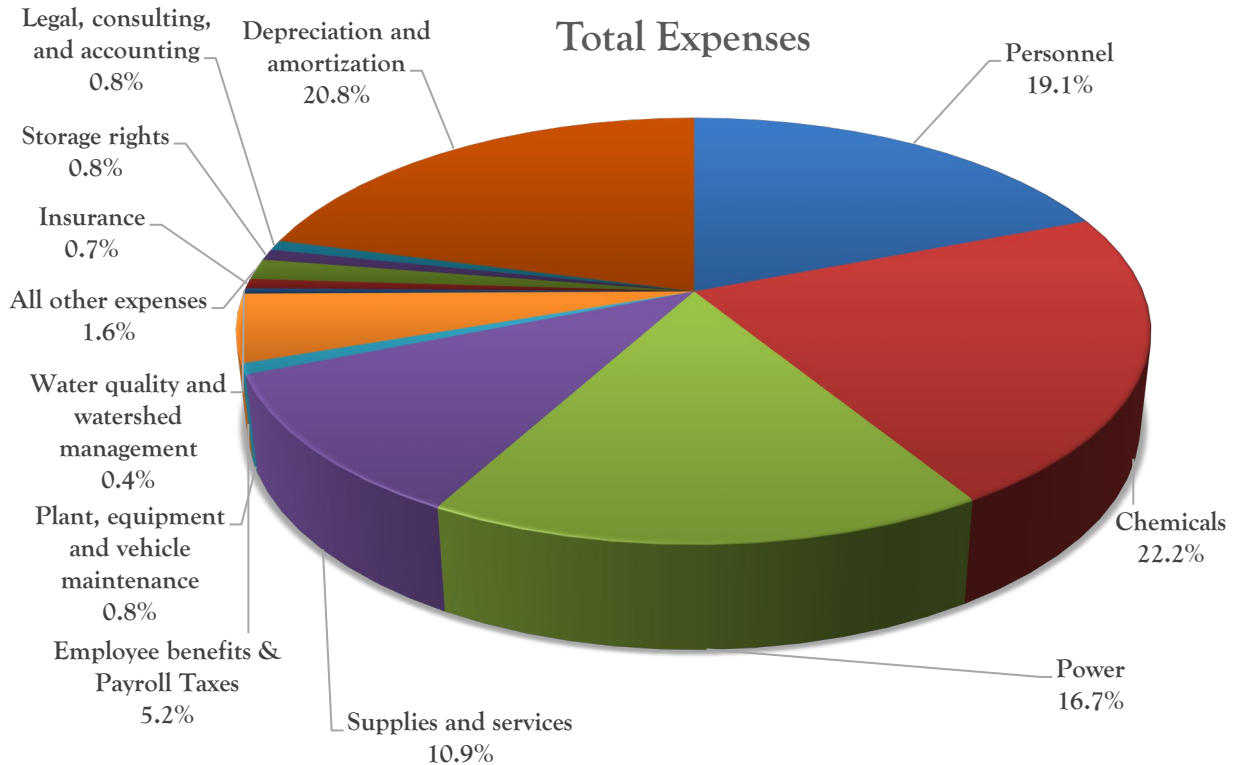
Total Operating Expenses, before depreciation, increased by \$4.7 million or 17.5%, reflecting the increase in the major categories of chemicals and personnel, offset by savings in power generation costs and solids handling expenses. A few categories warrant analysis and discussion, as follows:

Chemical costs increased by \$1.2 million or 20.7%. While a portion of the increased chemical expense is attributed to an increased water production of 3.7% in FY 2025, other increases in chemical costs were related to unusual turbidity events in the first and third quarters of the fiscal year. Primary chemicals that experienced price and/or percentage increases included alum at \$159 thousand (10.2%), lime at \$59 thousand (17.5%) and ferrous sulfate at \$374 thousand (49.8%).

In FY 2025, power costs increased by \$622 thousand (14.5%). While a portion of the increase in expense can be attributed to increased demand, the primary factor is due to an increased cost of energy from electricity provided by Carroll Electric Cooperative Corporation (CECC). The overall cost for electricity increased 13.7% during FY 2025.

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2025 and 2024**

The following chart gives a visual illustration of each expense category as a percentage of the District's total expenses. This chart shows that depreciation, personnel costs, power, chemicals, and supplies and services are the largest expense items, which account for 89% of the District's total expenses.



RESERVE FUNDING

It is vital that the District look to the future to anticipate operational needs, debt service requirements, and capital expenditure needs to ensure the viability of the District. All utilities are facing extensive infrastructure improvements to replace aging assets, maintain compliance with new regulations, and provide additional capacity as demand increases. Therefore, the District must fund reserves for the future replacement and refurbishment requirements for existing assets, and future capital improvements. The District must have in place the capacity and financial resources to accomplish our mission of sustainably providing our customers with safe, economical drinking water.

LONG-TERM DEBT

On February 16, 2023, the District entered into a bond purchase agreement through the Arkansas Natural Resources Commission to draw up to \$125,686,157 through the State Revolving Fund (SRF) for the construction of the Western Corridor Treated Water Pipeline Project. The interest and servicing fee rates are 0.75% and 1.00%, respectively. The bond matures in fiscal year 2046 with principal, interest, and servicing fee payments due the 15th of each month commencing October 15, 2026. The bonds are expected to mature on April 15, 2046.

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2025 and 2024**

As of September 30, 2025, long term debt consists of the \$101.1 million Series 2025 Water Revenue Bonds and \$51.6 million borrowed through the State Revolving Fund (SRF) Series 2023 Bonds.

On August 19, 2025, the District issued water revenue bonds with a principal amount of \$100,170,000 with interest rates ranging from 4.00%-5.00%, paid semi-annually on April 15th and October 15th, to fund the first phase of improvements to the District's water system. The Series 2025 bonds also included a premium of \$879,522, which is amortized against interest expense over the life of the bonds. The first principal payment is due April 15, 2026, and annually thereafter until 2055. These bonds are expected to mature on April 15, 2055. The District received a bond rating from Standard and Poor's rating service of AA+ with a stable outlook in conjunction with the issuance of the Series 2025 bonds.

LONG RANGE FINANCIAL PLAN & RATES

As a means of assessing infrastructure and long-range financial needs, the District annually develops a financial plan, which estimates future revenues, operating expenses, and capital requirements for replacement, refurbishment, and expansion of District facilities. The Long-Range Financial Plan is used to forecast future reserve requirements and scheduling of rate increases. As directed by the Board, the plan is reevaluated on an annual basis for the purposes of forecasting the District's financial position and adjusting rates.

The District's Long-Term Financial Plan was updated In May 2024 and the District's Board determined that a 13-cent rate increase would be adopted for fiscal year 2025, beginning October 1, 2024. That increase is in keeping with the Board's philosophy of small rate increases over time, versus large increases from time to time. Such a philosophy protects the District's customer cities from unforeseen increases in the Beaver Water District wholesale rate.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, creditors, and other interested parties with an overview of the District's financial operations and conditions. Should you desire additional information, you may contact the Beaver Water District at P.O. Box 400, Lowell, Arkansas, 72745.

Beaver Water District of Washington and Benton Counties
Statements of Net Position
September 30, 2025 and 2024

Assets	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 38,638,150	\$ 70,616,176
Cash and cash equivalents - restricted	11,993,135	3,201,339
Investments	6,191,827	31,407,030
Investments - restricted	37,333,865	2,173,930
Accounts receivable	4,407,698	4,231,632
Prepaid expenses	242,157	236,448
Inventory	19,558	19,558
Other current assets	675	1,050
Total Current Assets	98,827,065	111,887,163
Non-Current Assets:		
Investments	9,209,196	499,365
Investments - restricted	65,375,571	1,002,375
Capital assets, net of accumulated depreciation	243,499,338	151,189,286
Total Non-Current Assets	318,084,105	152,691,026
Right-of-Use Asset	-	966,770
Total Assets	\$ 416,911,170	\$ 265,544,959
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 8,898,262	\$ 2,005,370
Accrued expenses	648,885	573,200
Accrued interest payable	681,636	160,523
Current portion of long-term debt	525,174	78,067
Current portion of long-term lease liability	-	38,744
Total Current Liabilities	10,753,957	2,855,904
Long-Term Debt, Net of Current Portion & Bond Premiums	153,852,273	28,791,861
Long-Term Lease Liability, Net of Current Portion	-	928,027
Total Liabilities	164,606,230	32,575,792
Net Position:		
Invested in capital assets, net of related debt	89,121,891	122,319,357
Restricted	114,702,571	6,377,644
Unrestricted	48,480,478	104,272,166
Total Net Position	252,304,940	232,969,167
Total Liabilities and Net Position	\$ 416,911,170	\$ 265,544,959

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2025 and 2024

	2025	2024
Operating Revenues:		
Water sales	\$ 48,356,196	\$ 43,003,825
Total Operating Revenue	48,356,196	43,003,825
Operating Expenses:		
Personnel	5,997,080	5,377,453
Chemicals	6,980,873	5,782,154
Power	5,250,890	4,425,225
Supplies and services	3,435,010	2,290,042
Plant, equipment and vehicle maintenance	252,061	265,076
Employee benefits	1,188,359	1,056,614
Payroll taxes	436,915	401,608
Water quality and watershed management	130,853	137,680
Insurance	231,235	169,686
Telephone and telemetering	60,075	51,902
Association dues and fees	50,375	51,100
Travel and training	314,914	339,100
Storage rights	262,363	142,970
Directors fees and management	22,658	25,876
Legal, consulting, and accounting	245,227	509,226
Depreciation and amortization	6,557,584	5,711,434
Rent or lease	42,000	47,500
Total Operating Expenses	31,458,472	26,784,646
Operating Income	16,897,724	16,219,179
Other Income (Expense):		
Investment income	2,989,559	3,136,884
Unrealized gain	1,057,477	2,225,582
Bond issuance costs	(1,031,114)	-
Interest expense and related fees	(577,203)	(210,592)
Investment expense	(670)	(696)
Miscellaneous income	-	30,000
Total Other Income	2,438,049	5,181,178
Increase in Net Position	19,335,773	21,400,357
Net Position, Beginning of Year	232,969,167	211,568,810
Net Position, End of Year	\$ 252,304,940	\$ 232,969,167

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Cash received from customers	\$ 48,180,505	\$ 42,472,145
Cash paid for:		
Payroll and related expenses	(7,025,556)	(6,582,509)
Goods and services	(10,086,988)	(14,978,344)
Water storage expense	(262,363)	(142,970)
Rent or lease expense	(42,000)	(47,500)
Net Cash Provided by Operating Activities	30,763,598	20,720,822
Cash Flows from Capital and Related Financing Activities:		
Proceeds from long-term debt	124,707,992	23,450,952
Principal payments on long-term debt	366,932	(106,016)
Interest paid on long-term debt	(48,017)	(50,069)
Purchases of capital assets	(98,867,637)	(43,752,728)
Net Cash (Used in) Capital and Related Financing Activities	26,159,270	(20,457,861)
Cash Flows from Investing Activities:		
Purchases of investments	(101,676,429)	(31,810,407)
Proceeds from sale of investments	18,145,221	53,142,305
Investment income	2,989,559	3,189,764
Net Cash Provided by Investing Activities	(80,541,649)	24,521,662
Net Increase in Cash and Cash Equivalents	(23,618,781)	24,784,623
Cash and Cash Equivalents, Beginning of Year	73,817,515	49,032,892
Cash and Cash Equivalents, End of Year	\$ 50,198,734	\$ 73,817,515
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 16,897,724	\$ 16,219,179
Depreciation and amortization	6,557,584	5,711,434
Right-of-use asset amortization	(966,770)	(38,614)
Changes in assets and liabilities:		
Accounts receivable	(176,066)	(531,150)
Prepaid expenses	(5,709)	(47,278)
Other current assets	375	(530)
Accounts payable	6,892,892	(883,996)
Accrued expenses	596,798	253,168
Lease liabilities	966,770	38,614
Net Cash Provided by Operating Activities	\$ 30,763,598	\$ 20,720,827

Supplemental Information

Cash paid for interest	\$ 48,017	\$ 50,069
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See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding Beaver Water District of Washington and Benton Counties' (the District) financial statements. The financial statements and notes are representations of the District's management, which is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Reporting Entity

The Beaver Water District of Washington and Benton Counties was created on July 17, 1959, under the provisions of Act 114, Arkansas Acts of 1957, in order to establish a nonprofit, regional water distribution district for Washington and Benton counties. The District's governmental powers are exercised through a six-member Board of Directors.

Basis of Accounting and Measurement Focus

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. 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 are charged to customers for water sales. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budget Comparison

The District is not legally required to adopt a budget for the enterprise fund. Therefore, budget comparison information is not included in the District's financial statements.

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.

Income Taxes

Income of the District is derived from the exercise of essential governmental functions and accrues to the District, a political subdivision of the State of Arkansas. The District is not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies - (continued)

Comparative Data

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

Restricted Assets

Amounts designated as restricted assets have been restricted by either bond indenture, by law, by contractual obligations such as servicing bond debt or by board designation and are to be used for specified purposes such as servicing the bond debt, construction or purchase of capital assets, payment of insurance and water storage fees.

Cash Equivalents

For purposes of the Statements of Cash Flows, the District considers all unrestricted, highly liquid investments with maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The District has adopted a formal investment policy. The primary objective of the policy is to provide more suitable investment opportunities. The policy encompasses the definition of “eligible investment securities” as stated in Act 629 of the Arkansas 88th General Assembly Regular Session of 2011. An eligible investment is a direct or guaranteed obligation of the United States that is backed by the full faith and credit of the United States Government; a direct obligation of an agency, instrumentality, or government-sponsored enterprise created by an act of the United States Congress; a bond or other debt of the state, a school district, a county government, a municipal government, or an authority of a governmental entity that is issued for essential governmental purposes or is guaranteed by a state agency and has a debt rating from a nationally recognized credit rating agency of “A” or better at the time of purchase. As a condition of funding through the Arkansas State Revolving Fund (SRF) loan, purchases of Arkansas Development Finance Authority Revolving Loan Fund Revenue Bonds as an investment are prohibited.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies - (continued)

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for an asset or liability.

Accounts Receivable

Water usage is billed to the member cities in monthly cycles. Accounts receivable represents water usage billed but not yet collected and totals \$4,407,698 and \$4,231,632, as of September 30, 2025 and 2024, respectively. The District evaluates its receivables under the Current Expected Credit Loss (CECL) model. CECL requires the District to estimate expected credit losses over the lifetime of the receivables using relevant historical loss experience, current conditions, and reasonable and supportable forecasts. Based on this evaluation, management determined that no expected credit losses exist; therefore, no allowance for credit losses has been recorded. All receivables are considered collectible.

Inventories

Inventory consists of emergency supplies for water treatment facilities. Inventory is carried at cost, using the lower of average cost or net realizable value, using the FIFO (first in, first out) costing method.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to fifty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to expense as incurred. The District's policy is to capitalize assets with a value of at least \$2,000.

Intake structures	3 - 75	years
Water treatment plant	3 - 99	years
Power and generating equipment	3 - 75	years
Communications instrumentation	5 - 30	years
Office and other equipment	5 - 25	years
Plant equipment	5 - 40	years

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies - (continued)

Net Position Classifications

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets, net of related debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, law through constitutional provision or enabling legislation, or by action by the Board of Directors.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Amortization of Bond Premiums and Discounts

Bond premiums and discounts are amortized over the lives of the related bond issues using the effective interest method. Net amortization of \$1,927 for the year ended September 30, 2025 is included as a component of interest expense.

Leases

The District adopted GASB No. 87, Leases, using the modified retrospective approach with October 1, 2021 as the date of initial adoption. The District evaluates its agreements with vendors and service providers in accordance with GASB Statement No. 87, *Leases*. A lease exists when a contract conveys control of the right to use a nonfinancial asset—such as buildings, equipment, or vehicles—for a period of time in an exchange or exchange-like transaction.

The District recognizes a lease liability and an intangible right-to-use lease asset in the financial statements for leases other than short-term. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs to place the asset in service. Subsequently, the lease asset is amortized on a straight-line basis over the life of the lease.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. **Summary of Significant Accounting Policies - (continued)**

Leases - (continued)

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

During the year ended September 30, 2025, the District identified no material lease agreements that required recognition of a lease liability or an intangible right-to-use leased asset. Agreements that were month-to-month, cancellable by either party, or service-only arrangements were determined not to meet the criteria for a GASB 87 lease.

Subscription-Based Information Technology Arrangements (SBITA)

The District evaluated its contracts with information technology vendors in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. A SBITA exists when a contract conveys control of the right to use IT software or a combination of software and tangible IT assets for a period of time in an exchange or exchange-like transaction.

The District has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. At the commencement of the IT subscription term, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how the District determines the discount rate it uses to discount the expected payments to present value, term, and payments. The District uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate. The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies - (continued)

Subscription-Based Information Technology Arrangements (SBITA) - (continued)

The District monitors changes in circumstances that would require a remeasurement of its IT subscription and will remeasure the right-to-use IT subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

During the year, the District identified no material SBITAs that required recognition of a subscription liability or an intangible right-to-use subscription asset. Minor or short-term IT service contracts were determined to be service arrangements only because they do not convey control of a right-to-use an IT asset or do not meet the terms required under GASB 96 (for example, month-to-month services or cancellable agreements).

Adoption of New Accounting Standards

GASB 100 - Accounting Changes and Error Corrections

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62) (“GASB 100”), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. The District adopted the standard effective October 1, 2023. Adoption of the provisions of this statement did not have a material effect on the District's financial statements.

GASB 101 - Compensated Absences

In June 2022, the GASB issued Statement No. 101, Compensated Absences (“GASB 101”), which supersedes the guidance in Statement No. 16, Accounting for Compensated Absences, issued in 1992. This statement updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee’s pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The District adopted the standard effective October 1, 2024. Adoption of the provisions of this statement did not have a material effect on the District's financial statements.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

1. Summary of Significant Accounting Policies - (continued)

Adoption of New Accounting Standards - (continued)

GASB 102 - Certain Risk Disclosures

The District adopted GASB Statement No. 102, Certain Risk Disclosures, for the fiscal year ending September 30, 2025. The standard requires disclosure of significant concentrations or constraints that could expose the District to a substantial financial or operational impact. Management evaluated the District's operations, revenue sources, and constraints in accordance with the standard. The District has included the required disclosures in the notes to the financial statements.

2. Deposits and Investments

The aggregate carrying amount of investments as of September 30, 2025 and 2024, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

September 30, 2025:

	Fair Value	Maturities in Years		
		Less Than 1	1-5	Over 5
Fixed income investments	\$ 71,046,800	\$ 7,948,480	\$ 63,098,320	\$ -
Certificates of deposit	4,630,240	2,284,648	1,098,460	1,247,132
Municipal bonds	388,651	-	388,651	-
U.S. agency obligations	42,044,768	33,292,564	8,752,204	-
	<u>\$ 118,110,459</u>	<u>\$ 43,525,692</u>	<u>\$ 73,337,635</u>	<u>\$ 1,247,132</u>

September 30, 2024:

	Fair Value	Maturities in Years		
		Less Than 1	1-5	Over 5
Fixed income investments	\$ 2,645,883	\$ 2,645,883	\$ -	\$ -
Certificates of deposit	-	-	-	-
Corporate bonds	507,716	507,716	-	-
Municipal bonds	1,294,207	1,294,207	-	-
U.S. agency obligations	30,634,894	29,133,154	1,501,740	-
	<u>\$ 35,082,700</u>	<u>\$ 33,580,960</u>	<u>\$ 1,501,740</u>	<u>\$ -</u>

For the securities held as investments, fair value equals quoted market prices. The investments held by the District are subject to market risk. Accordingly, the estimates presented herein are not necessarily indicative of amounts that the District could realize in a current market exchange. Investments in bonds are held through bond markets and can be traded at any time, the underlying bonds have maturities ranging from 2025 - 2030. The District did not hold derivative financial instruments for hedging arrangements as of September 30, 2025. No individual investment issuer, other than U.S. government or government-guaranteed securities, represented 5% or more of the District's total investments at September 30, 2025.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

3. Restricted Assets

Restricted assets are presented on the Statements of Net Position in the following categories:

	2025	2024
Cash and cash equivalents - current	\$ 11,993,135	\$ 3,201,339
Investments - current	37,399,993	2,173,930
Investments - non-current	65,375,571	1,002,375
Accrued interest receivable	-	-
Total Restricted Reserves	\$ 114,768,699	\$ 6,377,644

Restricted cash, investments and related accounts are held for specific purposes as follows:

	2025	2024
Depreciation fund	\$ 7,526,384	\$ 2,134,226
Source water protection fund	2,775,887	1,699,148
Storage space fund	4,388,224	1,477,157
Contingency fund	-	1,067,113
Construction fund	-	-
Bond Fund	100,012,076	-
Total Restricted Reserves	\$ 114,702,571	\$ 6,377,644

4. Custodial Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Arkansas Law requires banks and savings and loan institutions to pledge collateral for balances in excess of the FDIC limit. The District's deposits were fully collateralized at September 30, 2025 and 2024.

The custodial credit risk for investments is the risk that, in the event of the failure of a counter-party (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

5. Property and Equipment

	2024	Additions/ Transfers	Disposals/ Transfers	2025
Capital Assets, Not Depreciated				
Land	\$ 8,849,337	\$ -	\$ (3,937)	\$ 8,845,400
Construction in progress	47,084,302	96,340,521	-	143,424,823
Total	<u>55,933,639</u>	<u>96,340,521</u>	<u>(3,937)</u>	<u>152,270,223</u>
Capital Assets, Depreciated				
Water rights	3,530,805	-	-	3,530,805
Intake structures	68,301,165	417,784	(32,852)	68,686,097
Water treatment plant	89,815,581	751,600	-	90,567,181
Power and generating	26,651,685	562,144	-	27,213,829
Communications	7,318,102	518,713	-	7,836,815
Office and other equipment	1,672,253	79,518	-	1,751,771
Plant equipment	2,633,988	201,294	-	2,835,282
Total	<u>199,923,579</u>	<u>2,531,053</u>	<u>(32,852)</u>	<u>202,421,780</u>
Less Accumulated Depreciation				
Water rights	(2,537,223)	(55,199)	-	(2,592,422)
Intake structures	(32,843,925)	(1,596,679)	32,852	(34,407,752)
Water treatment plant	(45,638,344)	(3,550,499)	-	(49,188,843)
Power and generating	(15,644,825)	(804,463)	-	(16,449,288)
Communications	(4,859,999)	(360,194)	-	(5,220,193)
Office and other equipment	(1,267,889)	(62,272)	-	(1,330,161)
Plant equipment	(1,875,727)	(128,279)	-	(2,004,006)
Total Accumulated Depreciation	<u>(104,667,932)</u>	<u>(6,557,585)</u>	<u>32,852</u>	<u>(111,192,665)</u>
Total Depreciated, Net	<u>95,255,647</u>	<u>(4,026,532)</u>	<u>-</u>	<u>91,229,115</u>
Capital Assets, Net	<u><u>151,189,286</u></u>	<u><u>92,313,989</u></u>	<u><u>(3,937)</u></u>	<u><u>243,499,338</u></u>

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

5. Property and Equipment

	2023	Additions/ Transfers	Disposals/ Transfers	2024
Capital Assets, Not Depreciated				
Land	\$ 6,907,215	\$ 1,942,122	\$ -	\$ 8,849,337
Construction in progress	10,940,033	44,775,831	(8,631,562)	47,084,302
Total	<u>17,847,248</u>	<u>46,717,953</u>	<u>(8,631,562)</u>	<u>55,933,639</u>
Capital Assets, Depreciated				
Water rights	3,530,805	-	-	3,530,805
Intake structures	67,932,521	796,407	(427,763)	68,301,165
Water treatment plant	84,562,774	5,252,807	-	89,815,581
Power and generating	26,512,183	209,902	(70,400)	26,651,685
Communications	7,562,101	259,201	(503,200)	7,318,102
Office and other equipment	1,578,249	94,004	-	1,672,253
Plant equipment	2,578,608	77,119	(21,739)	2,633,988
Total	<u>194,257,241</u>	<u>6,689,440</u>	<u>(1,023,102)</u>	<u>199,923,579</u>
Less Accumulated Depreciation				
Water rights	(2,482,024)	(55,199)	-	(2,537,223)
Intake structures	(31,757,042)	(1,514,646)	427,763	(32,843,925)
Water treatment plant	(42,868,209)	(2,770,135)	-	(45,638,344)
Power and generating	(14,897,383)	(817,842)	70,400	(15,644,825)
Communications	(4,997,626)	(365,573)	503,200	(4,859,999)
Office and other equipment	(1,204,127)	(63,762)	-	(1,267,889)
Plant equipment	(1,773,190)	(124,277)	21,740	(1,875,727)
Total Accumulated Depreciation	<u>(99,979,601)</u>	<u>(5,711,434)</u>	<u>1,023,103</u>	<u>(104,667,932)</u>
Total Depreciated, Net	<u>94,277,640</u>	<u>978,006</u>	<u>1</u>	<u>95,255,647</u>
Capital Assets, Net	<u><u>112,124,888</u></u>	<u><u>47,695,959</u></u>	<u><u>(8,631,561)</u></u>	<u><u>151,189,286</u></u>

Depreciation expense for the years ended September 30, 2025 and 2024 was \$6,557,584 and \$5,711,434, respectively.

6. Long-Term Debt

Pursuant to the District's water rights obligations in Note 9 the district recognized a long-term debt obligation originating in 1993. The obligation carried an original principal balance of \$3,530,803 including \$1,285,641 of capitalized interest and carries an interest rate of 2.70%. 50 annual payments of \$126,805 began in 1993.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

6. Long-Term Debt - (continued)

Long-term debt, net of premiums, consists of the following:

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>
Water rights obligation, issued 1993, secured by all assets and revenue.	\$ 1,779,074	\$ -	\$ 366,932	\$ 2,146,006
Arkansas State Revolving Fund, Bonds Payable 2023 Series Revenue Bond, of up to \$125,686,157, with an interest rate .75%, principal payments to begin in October 2026, secured by revenue.	27,090,854	24,537,992	-	51,628,846
Series 2025 Water Revenue Bonds Payable, issuance price of \$101,049,522, with an interest rate 5%, principal payments to begin in April 2026, secured by revenue.	-	100,602,595	-	100,602,595
Total	<u>\$ 28,869,928</u>	<u>\$ 125,140,587</u>	<u>\$ 366,932</u>	<u>\$ 154,377,447</u>
Less: Current Portion	(78,067)			(525,174)
Bond Premium	-			(877,595)
Total Long-Term Debt	<u>\$ 28,791,861</u>			<u>\$ 152,974,678</u>

The future maturities as of September 30, 2025 are:

<u>Year</u>	<u>Principal</u>
2026	\$ 525,174
2027	7,056,173
2028	7,236,530
2029	7,418,583
2030	7,612,367
2031 - 2035	41,151,216
2036 - 2040	15,077,494
2041 - 2045	17,617,316
2046 - 2050	21,920,000
2051-2055	28,762,594
Total	<u>\$ 154,377,447</u>

Interest expense and related fees during the years ended September 30, 2025 and 2024 totaled \$577,203 and \$210,592, respectively.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

7. Water Sales

The District has contracts with the cities of Fayetteville, Springdale, Rogers and Bentonville whereby the cities agree to buy water. Water sales were as follows for the years ended September 30, 2025 and 2024.

	2025		2024	
	(GA in 000's)	Amount	(GA in 000's)	Amount
Fayetteville	\$ 9,316,159	\$ 15,557,986	\$ 8,765,040	\$ 13,498,162
Springdale	8,232,787	13,748,754	7,936,545	12,222,279
Rogers	3,841,756	6,415,732	3,907,919	6,018,195
Bentonville	7,565,104	12,633,724	7,315,058	11,265,189
Total	\$ 28,955,806	\$ 48,356,196	\$ 27,924,562	\$ 43,003,825

	Rate per Million		Rate per Million	
	Effective Date	Gallons	Effective Date	Gallons
1967	\$	180	10/01/11	1,240
09/01/77		270	10/01/12	1,260
09/01/82		320	10/01/15	1,290
11/01/85		370	10/01/16	1,310
12/01/86		410	10/01/17	1,340
02/01/89		610	10/01/18	1,360
02/01/90		810	10/01/19	1,380
02/01/91		1,010	10/01/21	1,410
11/01/03		1,160	10/01/22	1,460
01/01/08		1,180	10/01/23	1,540
01/01/09		1,200	10/01/24	1,670
10/01/10		1,220		

8. Retirement Plan

The District provides employees with retirement benefits through a 401(a) plan and a 457 (b) plan. All regular employees who have reached the age of 18 are eligible to participate starting at the nearest quarter after eligibility is met. The District contributes up to 200% of the employee's contribution up to a maximum of 4% of the compensation for the employee's contribution. Employee's will be 100% vested in their matching contribution account after 3 one-year periods of service. Participants are always vested in their employee After tax contribution and rollover account.

Prior to the fiscal year end September 30, 2025, the District sponsored a 401(a) retirement plan. The District contributes up to 200% of the employee's contribution up to a maximum of 3% of the compensation for the employee's contribution. Employees were vested 100% after a three-year vesting schedule.

The District's plan contributions for the years ended September 2025 and 2024 were \$329,158 and \$289,960, respectively.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

9. Commitments and Contingencies

Water Storage Expense

On June 16, 1960, the District entered into a contract with the United States of America for water storage in Beaver Reservoir (supplemented August 12, 1970). The District has the right to utilize 31,000 acre-feet of storage space in the reservoir below elevation 1,120 feet m.s.l. for the initial storage of municipal and industrial water supply and to make withdrawals to the extent the space will provide. Cost of the initial water supply is \$51,127 per year for 50 years plus 2.56% of the annual experienced joint-use operation and maintenance expense of the project. Payments began during fiscal year 1966.

On June 16, 1960, the District also entered into a contract with the United States of America for future water storage in Beaver Reservoir (supplemented September 20, 1993). The District assumed in 1991 the benefits and responsibilities of an additional 77,000 acre-feet of storage. Cost of the future water supply will be paid in 50 annual payments of \$126,085 plus 6.23% of the annual experienced joint-use operation and maintenance expense of the project. Payments began during fiscal year 1991.

On June 5, 2006, the District entered into an additional contract with the United States of America for future water storage in Beaver Reservoir. The District assumed the benefits and responsibilities of an additional 28,757 acre-feet of storage in the reservoir below elevation of 1,120 feet m.s.l. for the storage of municipal and water supply. Cost of the water supply is to be 2.35% of the annual experienced joint-use operation and maintenance expense of the project.

Payments for the operation and maintenance expense (“O&M”) are due and payable in advance on the plant-in-service date and shall be based on O&M expense for the project in the government fiscal year most recently ended. The amount of each annual payment will be the actual experienced O&M expense (specific plus allocated joint-use for the preceding fiscal year or an estimate thereof when actual expense information is not available).

The costs to the District for water storage under this contract were \$388,448 and \$269,055, for the years ended September 30, 2025 and 2024, respectively. The District’s commitment under the contract for the storage is \$126,085 per year through the year 2042. The commitment does not include the annual O&M expense since this amount is calculated on an annual basis. The O&M is subject to change in future years as it is based on actual operating costs.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

9. Commitments and Contingencies - (continued)

Future water right payments are scheduled as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 80,175	\$ 45,910	\$ 126,085
2027	82,339	43,746	126,085
2028	84,561	41,524	126,085
2029	86,843	39,242	126,085
2030	89,187	36,898	126,085
2031-2042	1,277,904	235,116	1,513,020
Total	\$ 1,701,009	\$ 442,436	\$ 2,143,445

Loss Contingencies

During the fiscal year ended September 30, 2024, the District experienced a fraudulent ACH payment incident, wherein an unauthorized third party impersonated a vendor and \$134,000 was transferred to a fraudulent vendor account. Upon discovery, the District took immediate action, including notifying law enforcement, insurance company, and the vendor, and implemented enhanced internal controls to prevent recurrence. All remediations were implemented during the fiscal year 2025 and were in place as of September 30, 2025.

The District was not reimbursed from insurance, therefore this incident resulted in a net loss of \$134,000 during the fiscal year ended September 30, 2024, and no material recovery is expected. This loss has been reflected in the financial statements as part of operating expenses in legal, consulting, and accounting fees.

10. Leases

During the fiscal year ended September 30, 2024, the District entered into a lease agreement for land. The lease arrangement requires annual payments of \$42,000 to be made for a term of 25 years. The lease agreement had an option to buy, and during the fiscal year ended September 30, 2025, the option to buy was exercised and the lease and right to use asset were removed.

11. Risk Management

The District is exposed to various risks of loss from tort, theft of, damage to and destruction of assets, business interruption, errors and omissions, natural disasters, employee injuries and illnesses, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental benefits and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three proceeding years and there were no reductions in the District's insurance coverage during the years ended September 2025 and 2024.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2025 and 2024

12. Concentrations

The District's business activities are with cities located in Northwest Arkansas. Although the economy is diversified, all accounts receivable and future revenue is concentrated within the above-mentioned geographic region. The District is dependent on four major customers and one source of water.

13. Agreement with Member Cities

Under the District's agreement with member cities, the District may have adjustments to the cities. Adjustments are potential refunds of amounts paid by the cities during the fiscal year. These adjustments are made in accordance with the 1967 Memorandum of Understanding and policies adopted by the Board of Directors. For the years ending September 2025 and 2024, the District had no adjustments.

14. Subsequent Events

Management has evaluated subsequent events through January 23, 2026 the date on which the financial statements were available to be issued.

Supplemental Information

Beaver Water District of Washington and Benton Counties
Schedules of Unrestricted Cash and Investments
September 30, 2025 and 2024

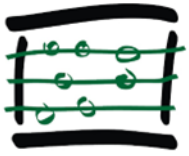
	2025	2024
Current Assets		
Operations and Maintenance Fund		
Cash and cash equivalents	\$ 4,901,482	\$ 4,852,460
Investments	343,145	1,137,545
Total Operations and Maintenance Fund	5,244,627	5,990,005
Gross Receipts Fund		
Cash and cash equivalents	13,375	10,569
Revenue Fund		
Cash and cash equivalents	1,197,014	987,188
Replacement and Refurbishment Fund		
Cash and cash equivalents	22,857,110	19,666,941
Investments	2,633,360	13,697,604
Total Replacement and Refurbishment Fund	25,490,470	33,364,545
Storage Space Fund		
Cash and cash equivalents	-	2,740,105
Total Storage Space Fund	-	2,740,105
Expansion Reserve Fund		
Cash and cash equivalents	9,208,559	40,898,845
Investments	3,215,322	16,571,881
Total Expansion Reserve Fund	12,423,881	57,470,726
Source Water Protection Fund		
Cash and cash equivalents	-	1,460,068
Total Current Assets	\$ 44,369,367	\$ 102,023,206
Non-Current Assets		
Operations and Maintenance Fund		
Investments	\$ 477,917	\$ -
Replacement and Refurbishment Fund		
Investments	2,636,240	-
Expansion Reserve Fund		
Investments	6,095,039	499,365
Total Non-Current Assets	\$ 9,209,196	\$ 499,365

See Independent Auditors' Report.

Beaver Water District of Washington and Benton Counties
Schedules of Restricted Cash and Investments
September 30, 2025 and 2024

	2025	2024
Current Assets		
Depreciation fund		
Cash and cash equivalents	\$ 7,526,384	\$ 2,134,226
Contingency Fund		
Cash and cash equivalents	-	1,067,113
Storage Space Fund		
Cash and cash equivalents	3,086,331	-
Investments	143,053	1,477,157
Total Storage Space Fund	3,229,384	1,477,157
Source Water Protection Fund		
Cash and cash equivalents	1,380,420	-
Investments	277,056	696,773
Total Source Water Protection Fund	1,657,476	696,773
Bond Fund		
Investments	36,913,756	-
Total Current Assets	\$ 49,327,000	\$ 5,375,269
Non-Current Assets		
Storage Space Fund		
Investments	\$ 1,158,840	\$ -
Source Water Protection Fund		
Investments	1,118,411	1,002,375
Bond Fund		
Investments	63,098,320	-
Total Non-Current Assets	\$ 65,375,571	\$ 1,002,375

See Independent Auditors' Report.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Directors of the
Beaver Water District of Washington and Benton Counties
Lowell, Arkansas

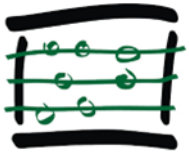
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Beaver Water District of Washington and Benton Counties (the District), which comprise the statements of net position as of and for the years ended September 30, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements, and have issued our report thereon dated January 23, 2026.

Independent Auditors' Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items to be material weaknesses. A *significant deficiency* is a deficiency, or 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 may exist that have not been identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 & 2025-002.

Beaver Water District of Washington and Benton Counties' Response to Findings

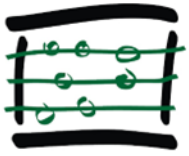
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District response was not subjected to the other auditing procedures applied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

Purpose of this Report

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

Abacus CPAs, LLC

Springfield, Missouri
January 23, 2026



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Beaver Water District of Washington and Benton Counties
Lowell, Arkansas

Independent Auditors' Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Beaver Water District of Washington and Benton Counties (the District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

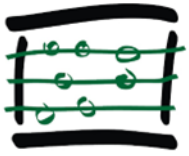
Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Beaver Water District of Washington and Benton Counties and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Beaver Water District of Washington and Benton Counties' federal programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

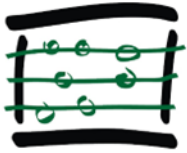
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subject to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Governmental Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Abacus CPAs, LLC

Springfield, Missouri

January 23, 2026

Beaver Water District of Washington and Benton Counties
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Award Information	AL/other #	Pass-Through Entity Name	Pass-Through Entity #	Passed-through to Subrecipients (\$)	Federal Expenditures (\$)
Drinking Water State Revolving Fund Cluster					
United States Environmental Protection Agency					
Drinking Water State Revolving Fund					
Drinking Water State Revolving Fund	66.468	Arkansas Natural Resource Commission	01390-DWSRD-L	-	24,537,992
Total Drinking Water State Revolving Fund				-	24,537,992
Total United States Environmental Protection Agency				-	24,537,992
Total Drinking Water State Revolving Fund Cluster				-	\$ 24,537,992
Total Expenditures of Federal Awards				-	\$ 24,537,992

The accompanying notes are an integral part of this schedule.

Beaver Water District of Washington and Benton Counties
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Notes to the Schedule of Expenditures

A. Basis of Presentation

The accompanying schedules of expenditures of federal awards are presented in accordance with 2 CFR section 200.510(b) and represent the financial activity of Beaver Water District of Washington and Benton Counties for the fiscal year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Beaver Water District of Washington and Benton Counties, it is not intended to and does not present the net position, changes in net position, or cash flows of Beaver Water District of Washington and Benton Counties.

B. Summary of Significant Accounting Policies

These schedules are prepared on the accrual basis of accounting and include all applicable federal awards received and expended during the year, with a focus on the Drinking Water State Revolving Fund (DWSRF). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Federal Loans

The District was approved by the EPA and Drinking Water State Revolving Fund to receive loans totaling \$125,686,157 on a reimbursement basis. The balance at the end of the period was \$51,628,846.

Balance 09/30/2024	\$ 27,090,854
Draws	24,537,992
Balance 09/30/2025	<u>\$ 51,628,846</u>

D. Compliance with DWSRF Program Requirements

Expenditures related to DWSRF are reported in compliance with the specific requirements outlined in the EPA's regulations governing the DWSRF program. This includes adherence to the Safe Drinking Water Act and other applicable federal regulations.

E. Indirect Cost Rate

Beaver Water District of Washington and Benton Counties has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

F. Assistance Listing Number (ALN)

The program title and ALN number was obtained from the federal or pass-through grantor or the sam.gov website.

Beaver Water District of Washington and Benton Counties
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors reporting: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? X Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.156(a)? _____ Yes X No

Identification of Major Programs:

AL Number(s)	Name of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund Cluster Drinking Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$1,000,000
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

Section II - Financial Statement Findings

2025-001

Condition - For the year ended September 30, 2025, the District had a failure of controls over the investment section from a failure to recognize and record investment activity. The controls in place were not followed during the period. This condition resulted in incomplete activity and ending balances of investments.

Criteria - Controls in place over investments include obtaining third party statements, recording and monitoring sales, trades, redemptions, purchases, and other investments routinely. Ongoing record is kept to verify accuracy of third party records and propose internal adjustments to investments.

Beaver Water District of Washington and Benton Counties
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

Section II - Financial Statement Findings - (continued)

Effects - The failure to routinely monitor investment changes and activities resulted in the misrecognition of realized, unrealized, and cost basis of investments being misstated.

Recommendation - Abacus has recommended a routine report to be updated along with periodic statements, with adjustments being posted in conjunction. Abacus also recommends an evaluation of current investment record keeping, and ease of use.

Managements Response - Beaver Water District is committed to evaluating the current process of reconciling investments, including assessing the current investment record-keeping system, to ensure correct recording of investment changes.

2025-002

Condition - During the year ended September 30, 2025, it was discovered depreciation methods for certain capital assets were applied inconsistently in current and prior years, resulting in the need to adjust depreciation expense and accumulated depreciation.

Criteria - Controls in place over capital asset additions include obtaining purchase documentation, matching to accounting system, and using project codes and descriptions to input into capital asset software. Categories, methods, and lives are based on the inputs mentioned above.

Effects - Clerical errors in descriptions, account or project grouping, and failure of review resulted in the capital asset group of land and land rights being depreciated incorrectly.

Recommendation - Abacus has recommended a review of authoritative guidances on allowable depreciation methods, an evaluation of current capital asset control processes, and an additional evaluation of controls and abilities of capital asset management system.

Managements Response - The misstatement of current year depreciation expense and accumulated depreciation amounts resulted from the misapplication of depreciation methods related to land and land rights. The affected assets represented a small portion of the total capital asset population and were primarily related to assets acquired in prior years. Current year depreciation expense was overstated by \$57,000, representing 0.9% of the total depreciation expense of \$6,557,584. The effect on accumulated depreciation for fiscal year 2025 was \$330,000, representing 0.3% of \$111,195,665 in accumulated depreciation. The 2025 financial statements have been adjusted to reflect the correct amounts. The District has committed to perform evaluations of the existing capital asset control processes and the abilities of the capital asset management system.

Section III - Federal Award Findings and Questioned Costs

None.

Beaver Water District of Washington and Benton Counties
Summary Schedule of Prior Audit Findings
September 30, 2025

Section I – Financial Statement Findings

2024-001

Condition – For the year ended September 30, 2024, the District had a failure of controls over the expense section from fraudulent vendor communications. The controls in place were followed and confirmed with the real vendor, which had confirmed the invoice had needed to be paid. The impersonator has intercepted communications inside the entity and posed as a known vendor.

Criteria – Controls in place over expensing include staff submitting purchase orders to accounting department, which compare and match invoice and vendor information to confirm. Additional communication with vendor and comparing ACH or payment information is reviewed if necessary.

Effects – The fraudulent vendor communications led to an ACH payment. When legal counsel and insurance company was contacted no claim could be submitted due to limited coverage, and the funds could not be tracked. The full amount was expensed.

Recommendation – Abacus has recommended an increase in insurance coverage, and an evaluation of current expense controls. Additional controls to address phishing and vendor impersonation fraud. An evaluation of the IT environment and security is also recommended.

Status – Beaver Water District has obtained increased coverage, evaluated controls, and performed an additional evaluation of the IT environment and security.

Section II – Federal Awards Findings

None.