

**City of Charleston, Arkansas  
Water and Sewer Department**

**Financial Statements  
October 31, 2025 and 2024**

**(With Independent Auditor's Report Thereon)**

# City of Charleston, Arkansas Water and Sewer Department

## Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	4
Statements of Revenue, Expenses, and Changes in Net Position	6
Statements of Cash Flows	8
Notes to Financial Statements	10
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	26



## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
**City of Charleston, Arkansas**  
**Water and Sewer Department**  
Charleston, Arkansas

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the **City of Charleston, Arkansas Water and Sewer Department** (the "Department") as of and for the years ended October 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Department as of October 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

The Department 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 Department's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

To the Mayor and City Council  
**City of Charleston, Arkansas**  
**Water and Sewer Department**

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Department'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 Department's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

To the Mayor and City Council  
**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated January 16, 2026 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Fort Smith, Arkansas

January 16, 2026

**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Statements of Net Position**  
**October 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,683,634	\$ 1,865,419
Certificates of deposit	1,118,970	1,001,281
Accounts receivable, net of allowance for doubtful accounts of \$3,500 each year	130,487	113,336
Inventory	164,369	150,240
<b>Total Current Assets</b>	<b>4,097,460</b>	<b>3,130,276</b>
 <b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	29,120	733,155
Certificates of deposit	656,042	731,858
<b>Total Restricted Assets</b>	<b>685,162</b>	<b>1,465,013</b>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	81,265	81,265
Distribution and collection system	6,161,432	6,214,078
Machinery and equipment	726,293	757,041
	6,968,990	7,052,384
Less accumulated depreciation	5,003,341	5,045,067
	1,965,649	2,007,317
<b>Total Assets</b>	<b>6,748,271</b>	<b>6,602,606</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	53,614	63,705
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 6,801,885</b>	<b>\$ 6,666,311</b>

See accompanying notes to financial statements.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

Statements of Net Position  
October 31, 2025 and 2024

	2025	2024
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
<b>(Payable From Current Assets)</b>		
Current portion of long-term debt	\$ 36,960	\$ 35,265
Accounts payable	6,642	-
Accrued and withheld taxes payable	29,492	29,887
<b>Total Current Liabilities</b>		
<b>(Payable From Current Assets)</b>	73,094	65,152
<b>CURRENT LIABILITIES</b>		
<b>(Payable From Restricted Assets)</b>		
Current portion of long-term debt	26,988	26,131
Customer deposits	40,015	38,140
<b>Total Current Liabilities</b>		
<b>(Payable From Restricted Assets)</b>	67,003	64,271
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	233,823	297,771
Net pension liability	133,932	153,992
<b>Total Long-Term Liabilities</b>	367,755	451,763
<b>Total Liabilities</b>	507,852	581,186
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	8,606	8,992
<b>Total Liabilities and Deferred Inflows of Resources</b>	516,458	590,178
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,667,878	1,648,151
Restricted	645,147	1,426,873
Unrestricted	3,972,402	3,001,109
<b>Total Net Position</b>	6,285,427	6,076,133
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	\$ 6,801,885	\$ 6,666,311

See accompanying notes to financial statements.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Statements of Revenue, Expenses, and  
Changes in Net Position  
Years ended October 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>OPERATING REVENUE</b>		
Charges for services	\$ 1,612,315	\$ 1,478,482
Miscellaneous income	42,516	28,608
<b>Total Operating Revenue</b>	<b>1,654,831</b>	<b>1,507,090</b>
<b>OPERATING EXPENSES</b>		
Chemicals	6,051	447
Computers	4,400	-
Depreciation	203,621	164,798
Doubtful accounts	4,868	2,935
Insurance, employees	23,664	21,500
Insurance, other	7,169	5,941
Licenses, dues and fees	51,251	37,733
Materials	170,522	7,685
Miscellaneous	9,020	8,557
Office supplies and expense	25,714	31,336
Payroll taxes	15,295	12,743
Pension expense	17,697	21,898
Postage and delivery	12,126	11,508
Printing	248	206
Professional fees	16,807	21,711
Repairs and maintenance	123,475	264,098
Salaries	207,289	147,613
Sanitation fees	243,539	241,061
Utilities and telephone	50,276	51,684
Vehicle expense	19,531	15,120
Water purchased for resale	648,615	387,186
Water sample testing	6,917	460,315
<b>Total Operating Expenses</b>	<b>1,868,095</b>	<b>1,916,075</b>
<b>OPERATING (LOSS)</b>	<b>(213,264)</b>	<b>(408,985)</b>

See accompanying notes to financial statements.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Statements of Revenue, Expenses, and  
Changes in Net Position  
Years ended October 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Loss on disposal of fixed assets	(35,580)	-
Interest income	70,245	59,275
Transfers out	-	(12,789)
Interest expense	(13,620)	(15,202)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>21,045</b>	<b>31,284</b>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(192,219)</b>	<b>(377,701)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>401,513</b>	<b>372,037</b>
<b>CHANGE IN NET POSITION</b>	<b>209,294</b>	<b>(5,664)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>6,076,133</b>	<b>6,081,797</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 6,285,427</b>	<b>\$ 6,076,133</b>

See accompanying notes to financial statements.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Statements of Cash Flows**  
**Years ended October 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,592,171	\$ 1,435,251
Cash received from other operating revenue	42,516	28,608
Payments for water	(648,615)	(387,186)
Payments for salaries and benefits	(275,015)	(202,903)
Payments to suppliers for goods and services	(754,213)	(1,186,874)
<b>Net Cash (Used For) Operating Activities</b>	<b>(43,156)</b>	<b>(313,104)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfers out	-	(12,789)
Interest paid on long-term debt	(13,620)	(15,202)
Principal payments on long-term debt	(61,396)	(58,952)
<b>Net Cash (Used For) Capital and Related Financing Activities</b>	<b>(75,016)</b>	<b>(86,943)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(197,533)	(230,388)
Capital contributions	401,513	372,037
Change in certificates of deposit	(41,873)	480,528
Interest income	70,245	59,275
<b>Net Cash From Investing Activities</b>	<b>232,352</b>	<b>681,452</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>114,180</b>	<b>281,405</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,598,574</b>	<b>2,317,169</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,712,754</b>	<b>\$ 2,598,574</b>

See accompanying notes to financial statements.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

Statements of Cash Flows  
Years ended October 31, 2025 and 2024

	<b>2025</b>	<b>2024</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (213,264)	\$ (408,985)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:		
Depreciation	203,621	164,798
Net change in pension liability	(10,355)	(58)
Change in:		
Accounts receivable	(17,151)	(40,251)
Inventory	(14,129)	(37,735)
Accounts payable	6,642	(284)
Accrued and withheld taxes payable	(395)	9,456
Customer deposits	1,875	(45)
<b>Net Cash (Used For) Operating Activities</b>	<b>\$ (43,156)</b>	<b>\$ (313,104)</b>

See accompanying notes to financial statements.

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

#### **NOTE 1: NATURE OF BUSINESS**

The City of Charleston, Arkansas (the "City") is a municipal corporation governed by an elected Mayor-Council form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) departments for which the primary government is financially accountable, and (3) other departments for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board (GASB) Statement No. 14 have been considered. These financial statements represent only the City of Charleston, Arkansas Water and Sewer Department (the "Department") funds and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Separately issued financial statements of the City, the primary government other than the Department, may be obtained at the City of Charleston, Arkansas city offices.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

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

The Department follows an accrual basis of accounting. Under this system, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Under this basis of accounting and measurement focus, the Department applies all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 that are developed for business enterprises. The Department does not apply FASB statements and interpretations whose provisions are limited to not-for-profit organizations or address issues concerning primarily such organizations.

##### **Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of the Department into one fund type as follows:

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

#### Proprietary Funds

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

#### Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

When an expense is incurred for purposes for which both restricted net position and unrestricted net position is available, the Department’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

#### GASB Statement No. 34

GASB Statement No. 34 became effective for the Department during the year ended October 31, 2004. This statement requires governments to provide a Management Discussion and Analysis with their financial statements. The Department has elected not to implement this part of GASB Statement No. 34. The effects of this departure from accounting principles generally accepted in the United States of America have not been determined.

#### 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The Department considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents includes "Cash and cash equivalents" and "Restricted Assets - Cash and cash equivalents."

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

#### Accounts Receivable

The Department has provided an allowance for doubtful accounts as of October 31, 2025 and 2024. The allowance is based on management's estimate of the overall collectability of accounts receivable, considering historical losses, economic conditions, and knowledge of individual customers. Based on these same factors, individual accounts are charged off against the allowance when management determines those individual accounts are uncollectible. Credit extended to customers is uncollateralized, but a deposit is required. These deposits are applied to past-due customer accounts before the account is charged off against the allowance. Past-due status is based on contractual terms. Past-due accounts are charged a 10% late fee if not paid by the 10<sup>th</sup> day following the original billing date, and water service is disconnected if payment is not received within 30 days of the original billing date. As of November 1, 2024, the Department had accounts receivable of \$73,085, net of allowance for doubtful accounts of \$3,500.

#### Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. At October 31, 2025 and 2024, inventory consisted of such items as water meters, pipes, valves, etc.

#### Property and Equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Distribution and collection system	5 – 40 years
Machinery and equipment	3 – 10 years

As of October 31, 2025 and 2024, the Department had fully depreciated assets still in use of approximately \$1,790,000 and \$1,854,000, respectively.

#### Long-Lived Assets

FASB Accounting Standards Codification (Codification) Topic *Property, Plant and Equipment, Section Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Department's reported earnings, financial condition or cash flows.

#### Capitalization of Interest Costs

The Department capitalizes interest costs as part of the total acquisition costs of construction related to the addition to and/or improvement of facilities. Interest costs capitalized include only the interest incurred during the construction period on debt used to finance the project. The interest capitalization period commences with the first expenditure for the project and continues until the constructed project is substantially complete and ready for its intended use, at which time interest capitalization ceases.

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

#### **Deferred Inflows and Outflows of Resources**

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Department has two items that qualify for reporting in this category: bond refunding costs and changes regarding pension liabilities.

A deferred outflow on bond refunding costs results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In regards to the deferred outflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68 and GASB 71. See Note 11 for additional information.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Department has one item that qualifies for reporting in this category. In regards to the deferred inflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 11 for additional information.

#### **Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (“APERS”) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***NOTE 3: CONCENTRATION OF CREDIT RISK***

The Department provides water and sewer services to residential, farm, commercial, and industrial customers in Charleston, Arkansas and surrounding areas. The Department operates from its primary facilities in Charleston, Arkansas. The Department grants unsecured credit to customers located in the vicinity of the operating location.

The Department purchases its water from one supplier and resells the water to residents. Purchases are included on the Statements of Revenue, Expenses, and Changes in Net Position as “Water purchased for resale”.

# City of Charleston, Arkansas Water and Sewer Department

## Notes to Financial Statements October 31, 2025 and 2024

**NOTE 4: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS**

Deposits in financial institutions are financial instruments that could potentially subject the Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The Department maintains all deposit balances in one financial institution and at times may exceed federally insured limits. The carrying amount of deposits as of October 31, 2025, is separately displayed on the Statements of Net Position as "Cash and cash equivalents," "Certificates of deposit," "Restricted Assets - Cash and cash equivalents," and "Restricted Assets - Certificates of deposit."

	<b>Book Balance</b>	<b>Bank Balance</b>
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured		
Collateral held by pledging securities of the bank's trust department in the Department's name	3,987,766	4,044,930
Total Deposits	\$ 4,487,766	\$ 4,544,930

**NOTE 5: RELATED PARTY TRANSACTIONS**

During the year ended October 31, 2005, the City of Charleston, Arkansas contributed the completed Water Plant Phase II construction project to the Department. This project was recorded by the Department at the City's cost of \$1,162,263. In addition, to assist with the additional cost of operating the new plant, the City elected to have the surplus sales tax collected from the issuance of the Sales and Use Tax Bonds, Series 2004 directly deposited in the Department's operation and maintenance account. Surplus sales tax recorded by the Department as capital contributions during the years ended October 31, 2025 and 2024 amounted to \$401,513 and \$372,037, respectively.

As a service to its customers, the Department collects sanitation fees when collecting the monthly water and sewer payments from customers. These sanitation fees are remitted monthly to the City of Charleston, Arkansas.

**NOTE 6: RESTRICTED ASSETS AND RESERVE REQUIREMENTS**

Restricted net position of the Department is created by an increase in assets restricted for debt service or other specific purposes. These increases result from earnings on restricted assets and other interfund transfers to restricted accounts. Earnings on restricted assets are included in net income of the Department. When restricted net position is increased, there is an equal reduction to the portion of net position that is unrestricted. Restricted assets as of October 31, 2025 and 2024 are as follows:

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

**1965 Depreciation Fund:** Restricted to make necessary repairs and improvements to the water and sewer system. Restricted deposits related to this fund amounted to \$237,051 and \$230,929 at October 31, 2025 and 2024, respectively.

**Meter Deposit Fund:** Restricted to refund customer deposits or reimburse the revenue fund when deposits are applied to bills of customers with a history of timely payment. Additions to this fund are new customer deposits received. Restricted deposits related to this fund amounted to \$53,953 and \$51,171 at October 31, 2025 and 2024, respectively.

**Sewer Increase Fund:** Restricted for extensions, betterments, and improvements to the sewer system and facilities. Restricted deposits related to this fund amounted to \$394,158 and \$476,587 at October 31, 2025 and 2024, respectively.

**2002 Bond Fund:** Restricted for extensions, betterments, and improvements to the water and sewer system. Restricted deposits related to this fund amounted to \$-0- and \$706,326 at October 31, 2025 and 2024, respectively.

**NOTE 7: CHANGES IN PROPERTY AND EQUIPMENT**

A summary of changes in property and equipment for the years ended October 31, 2025 and 2024 follows:

	<b>Balance November 1, 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance October 31, 2025</b>
Land	\$ 81,265	\$ -	\$ -	\$ 81,265
Distribution and Collection System	6,214,078	165,011	(217,657)	6,161,432
Machinery and Equipment	757,041	32,522	(63,270)	726,293
	<u>7,052,384</u>	<u>197,533</u>	<u>(280,927)</u>	<u>6,968,990</u>
Accumulated Depreciation	<u>(5,045,067)</u>	<u>(203,621)</u>	<u>245,347</u>	<u>(5,003,341)</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 2,007,317</u>	<u>\$ (6,088)</u>	<u>\$ (35,580)</u>	<u>\$ 1,965,649</u>

## City of Charleston, Arkansas Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

	Balance November 1, 2023	Additions	Deletions	Balance October 31, 2024
Land	\$ 81,265	\$ -	\$ -	\$ 81,265
Distribution and Collection System	6,214,078	-	-	6,214,078
Machinery and Equipment	526,653	230,388	-	757,041
	6,821,996	230,388	-	7,052,384
Accumulated Depreciation	(4,880,269)	(164,798)	-	(5,045,067)
Property and Equipment, Net of Accumulated Depreciation	\$ 1,941,727	\$ 65,590	\$ -	\$ 2,007,317

**NOTE 8: LONG-TERM DEBT**

	2025	2024
Long-term debt consists of the following:		
Water and Sewer Revenue Bond, Series 2010A due in semi-annual installments of \$8,523 to \$16,007 plus interest, beginning April 15, 2012, payable semi-annually, through October 15, 2030; interest at 2.25%; annual servicing fee at 1.00%; collateralized by pledge of system revenues subject to pledge and lien in favor of 2002 bonds; total amount of bond \$475,000.	\$ 138,914	\$ 165,045
Franklin and Sebastian Public Water Authority ("FSPWA") due in monthly installments of \$3,673, including interest, beginning March 1, 2010; collateralized by a lien on and pledge of water revenues and any other revenues of FSPWA legally available for that purpose.	158,857	194,122
	297,771	359,167
Less current portion	63,948	61,396
	\$ 233,823	\$ 297,771

# City of Charleston, Arkansas Water and Sewer Department

## Notes to Financial Statements October 31, 2025 and 2024

Annual requirements to amortize outstanding debt are as follows:

	<b>Principal</b>	<b>Interest and Fees</b>	<b>Total</b>
October 31,			
2026	\$ 63,948	\$ 12,607	\$ 76,555
2027	66,608	9,948	76,556
2028	69,384	7,172	76,556
2029	72,290	4,278	76,568
2030	25,541	1,782	27,323
	\$ 297,771	\$ 35,787	\$ 333,558

The Department was in substantial compliance with the various bond indentures as of October 31, 2025 and 2024.

### **NOTE 9: FSPWA PROJECT**

During the year ended October 31, 2010, the City of Charleston, Arkansas (the City), on behalf of the Department, entered into an Interlocal Cooperation Agreement for Water Transmission Line Construction, Management, and Use and for Purchase and Sale of Potable Water (the Agreement) with the City of Lavaca, Arkansas (Lavaca), River South Rural Water District (River South), and the FSPWA, as authorized by the Interlocal Cooperation Act, Arkansas Code Annotated, §§ 25-20-101 et seq. (the Interlocal Cooperation Act).

Based on this agreement, the City, Lavaca, and River South (collectively, the “User Parties”) will each participate in the acquisition, construction, and equipping of a potable water transmission line, pump station(s), water storage device(s), and a potable water connection and master meter with the waterworks system of the City of Fort Smith for their joint use (the Project) and will engage FSPWA to manage the acquisition, construction, and equipping of the Project, as well as the operation and maintenance of the Project and the purchase and sale of water following completion of the acquisition, construction, and equipping of the Project.

The entire cost of acquiring, constructing, and equipping the Project is being contributed by the User Parties. The City will be responsible for approximately 50% of these costs. Each User Party will convey to FSPWA all rights, title, and interest in and to the Project. The Project and all equipment necessary for its operation and maintenance will be owned and operated by FSPWA as a water source for each User Party.

In order to finance this project, as well as improvements to the water facilities of the Department, including a meter vault, the City sold a \$475,000 principal amount bond (Series 2010A) and a \$3,305,000 principal amount bond (Series 2010B) to the Arkansas Development Finance Authority (the Bondholder). The Arkansas Natural Resources Commission is receiving a Federal grant to assist in the funding of this project and, pursuant to the terms of the grant, has agreed to forgive principal of the Series 2010B bond as advances are made against the purchase price. As of October 31, 2025,

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

\$462,605 had been drawn on the Series 2010A bonds and \$3,305,000 had been drawn on the Series 2010B bonds.

In addition, the City's agreement with the FSPWA also contained provisions for payment of principal and interest of a separate loan to the FSPWA in the amount of \$1,130,000 from the Arkansas Natural Resources Commission (ANRC). The City is liable for 50%, or \$565,000, of this amount. Through October 31, 2025, \$426,086 had been paid by the Department on the principal related to this obligation.

The bonds are not general obligations of the City but are special obligations secured by a pledge of and are payable from revenues derived from the water system of the Department. The bonds and related interest do not constitute an indebtedness of the City.

A statutory mortgage lien upon the water facilities, including all extensions, improvements and betterments shall exist in favor of the owner of the bonds until payment in full of the principal and interest on the bonds.

On January 29, 2009, the City passed Ordinance No. 09-10 to increase water rates and Ordinance No. 09-11 to authorize the issuance of the Water and Sewer Revenue Bond Series 2010A and 2010B referenced above. On July 5, 2012, the City passed Ordinance No. 2012-06 to increase water rates to ensure the City would continue to meet future debt obligations.

Audited financial statements for the FSPWA are prepared annually and may be obtained from the FSPWA's director.

#### **NOTE 10: RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in public entity risk pools. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The municipality, which the Department is a part of, participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

*Municipal Property Program* - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of the depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$1,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

*Municipal Legal Defense Program* - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - no punitive damages) imposed on municipal offices and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials and employees because of judgment in any one lawsuit for more than 25 percent of the program's available funds at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The municipality agrees to pay into the program each year a charge established by the steering committee. Each municipality also agrees to pay the first \$3,000 of the aggregated cost for all expenses on each lawsuit. The cost deposit is not refundable.

*Workers' Compensation* - This program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for the municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the Workers' Compensation Commission.

#### *Municipal Vehicle Program*

Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident. The municipality shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the municipality.

Physical Damage - This program covers vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$5,000 per occurrence. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for the covered property.

The municipality also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$1,000 deductible per occurrence.

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

#### **NOTE 11: PUBLIC EMPLOYEES RETIREMENT SYSTEM**

##### **Plan Description**

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration, and four additional board positions that were added in Act 686 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

##### **Benefits Provided**

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year. Several benefit changes were made in the 2021 legislative session.

These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

#### **Contributions**

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

#### **APERS Fiduciary Net Position**

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

The collective Net Pension Liability of \$2,488,121,912 and \$2,914,186,564 was measured as of June 30, 2024 and 2023, respectively, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2024 and 2023. Since the June 30, 2025 report was not available for use to measure the net pension liability for the current year, the June 30, 2024 report was used instead. It was determined that any differences between these two reports would be immaterial to the financial statements as a whole. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

## City of Charleston, Arkansas Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

At October 31, 2025 and 2024, the Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2024 and 2023, respectively, related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Balance as of October 31, 2023	\$ 43,638	\$ (15,501)
Differences between expected and actual experience	5,633	693
Changes of assumptions	7,240	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,352	5,816
Net difference between projected and actual earnings on pension plan investments	(7,724)	-
Prior year contributions recognized in the current year	(12,390)	-
Contributions subsequent to measurement date	<u>21,956</u>	<u>-</u>
Balance as of October 31, 2024	63,705	(8,992)
Differences between expected and actual experience	(3,495)	(4,630)
Changes of assumptions	(2,572)	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(2,347)	5,016
Net difference between projected and actual earnings on pension plan investments	(15,281)	-
Prior year contributions recognized in the current year	(21,956)	-
Contributions subsequent to measurement date	<u>35,560</u>	<u>-</u>
Balance as of October 31, 2025	<u>\$ 53,614</u>	<u>\$ (8,606)</u>

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

Department contributions made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the plan year ended June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Department’s financial statements as follows:

**Years ended October 31:**

2026	\$	(1,195)
2027		19,917
2028		(6,069)
2029		(3,205)

**Actuarial Assumptions**

The total pension liability as of October 31, 2025 and 2024, was determined based on an actuarial valuation prepared as of June 30, 2024 and 2023, respectively, using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	16 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Salary Increases	3.25 - 9.85% including inflation
Inflation rate	3.25% wage inflation, 2.50% price inflation
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for generational mortality improvement using Scale MP-2017.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Average Service Life of All Members	3.6281 years

# City of Charleston, Arkansas

## Water and Sewer Department

### Notes to Financial Statements October 31, 2025 and 2024

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2024 and 2023 are summarized in the table below:

#### June 30, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.19%
International equity	24.00%	6.77%
Real estate	16.00%	3.34%
Absolute return	5.00%	3.36%
Domestic fixed	18.00%	1.79%
<b>Total</b>	<b>100.00%</b>	

#### June 30, 2023

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.19%
International equity	24.00%	6.77%
Real estate	16.00%	3.34%
Absolute return	5.00%	3.36%
Domestic fixed	18.00%	1.79%
<b>Total</b>	<b>100.00%</b>	

#### Discount Rate

A single discount rate of 7.00% and 7.15%, respectively, were used to measure the total pension liability as of June 30, 2024 and 2023. This single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Notes to Financial Statements**  
**October 31, 2025 and 2024**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.00% and 7.15%, respectively, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00% and 6.15%, respectively) or 1-percentage-point higher (8.00% and 8.15%, respectively) than the current rate:

Sensitivity of Discount Rate

<u>June 30, 2024</u>		
1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
\$ 228,548	\$ 133,932	\$ 55,941
 <u>June 30, 2023</u>		
1% Lower 6.15%	Discount Rate 7.15%	1% Higher 8.15%
\$ 245,408	\$ 153,992	\$ 78,626

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 16, 2026, the date that the financial statements were available to be issued.



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

To the Mayor and City Council  
**City of Charleston, Arkansas**  
**Water and Sewer Department**  
Charleston, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the **City of Charleston, Arkansas Water and Sewer Department** (the "Department") as of and for the year ended October 31, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 16, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Mayor and City Council  
**City of Charleston, Arkansas**  
**Water and Sewer Department**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Fort Smith, Arkansas  
January 16, 2026

**City of Charleston, Arkansas  
Water and Sewer Department**

**Schedule of Findings and Responses  
Year ended October 31, 2025**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN  
ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

There were no audit findings for the year ended October 31, 2025.