

**CITY OF BONANZA, ARKANSAS
WATER AND SEWER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2024



CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT
DECEMBER 31, 2024

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Bonanza, Arkansas Water and Sewer Department
Bonanza, Arkansas

Opinion

We have audited the accompanying financial statements of the Bonanza, Arkansas Water and Sewer Department (the Department), as of and for the year ended December 31, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bonanza, Arkansas Water and Sewer Department as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted on the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Bonanza, Arkansas, as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bonanza, Arkansas Water and Sewer 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.


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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026, on our consideration of the Bonanza, Arkansas Water and Sewer Department’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 Bonanza, Arkansas Water and Sewer Department’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bonanza, Arkansas Water and Sewer Department’s internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 18, 2026

FINANCIAL STATEMENTS

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2024

Assets

Current Assets

Cash and cash equivalents	\$	14,271
Restricted cash		138,305
Accounts receivable, net		24,969

Total Current Assets 177,545

Net Capital Assets 2,249,329

Total Assets \$ 2,426,874

Liabilities and Net Position

Current Liabilities

Trade accounts payable	\$	10,790
Accrued interest		3,221
Sales tax payable		1,061
Customer meter deposits		17,775
Current portion of long-term debt		42,924

Total Current Liabilities 75,771

Long-Term Debt 1,043,809

Total Liabilities 1,119,580

Net Position

Net investment in capital assets		1,162,596
Restricted		117,309
Unrestricted		27,389

Total Net Position 1,307,294

Total Liabilities and Net Position \$ 2,426,874

See accompanying notes to financial statements.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024

Operating Revenue	
Water, sewer, and sanitation revenues	\$ 254,529
Other income	387
Total Operating Revenue	254,916
Operating Expenses	
Water purchases	42,002
Sanitation services	33,724
Salaries and wages	24,000
Contract labor	22,040
Payroll taxes	1,912
Repairs and maintenance	9,968
Small equipment and tools	7,451
Operating supplies	1,977
Depreciation expense	55,867
Water testing	1,532
Easements	1,250
Vehicle and fuel	2,803
Utilities and telephone	6,838
Professional fees	6,811
Insurance	483
Office expense	832
Postage	1,666
Memberships, licenses, and permits	5,768
Travel and training	2,651
Miscellaneous expense	426
Total Operating Expenses	230,001
Net Income From Operations	24,915
Nonoperating Revenue (Expenses)	
Grant income	265,430
Interest income	860
Interest expense	(46,374)
Total Net Nonoperating Revenue	219,916
Change in Net Position Before Transfers	244,831
Transfers	8,359
Change in Net Position	253,190
Net Position at Beginning of Year	1,054,104
Net Position at End of Year	\$ 1,307,294

See accompanying notes to financial statements.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

Cash Flows From Operating Activities

Cash receipts from customers and other sources	\$	256,617
Cash payments to suppliers for goods and services		(151,322)
Cash payments to employees for services		(24,000)
Net Cash Provided By Operating Activities		81,295

Cash Flows From Noncapital and Related Financing Activities

Transfers from the City		8,359
Net Cash Provided By Noncapital and Related Financing Activities		8,359

Cash Flows From Investing Activities

Interest income		860
Net Cash Provided By Investing Activities		860

Cash Flows From Capital and Related Financing Activities

Additions to property, plant, and equipment		(282,951)
Capital grant		265,430
Principal paid on long-term debt		(41,503)
Interest paid on long-term debt		(46,839)
Net Cash Used In Capital and Related Financing Activities		(105,863)
Net Decrease In Cash, Cash Equivalents, and Restricted Cash		(15,349)
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year		167,925
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$	152,576

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$	14,271
Restricted cash		138,305
Total Cash, Cash Equivalents, and Restricted Cash	\$	152,576

Reconciliation Of Operating Income To Net Cash Provided By Operating Activities

Net income from operations	\$	24,915
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation		55,867
(Increase) decrease in:		
Accounts receivable		(2,019)
Increase (decrease) in:		
Trade accounts payable		(1,168)
Sales tax payable		(20)
Customer deposits		3,720
Net Cash Provided By Operating Activities	\$	81,295

See accompanying notes to financial statements.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Nature of Business

The City of Bonanza Water and Sewer Department (the Department) is a proprietary type fund and is a component unit of the City of Bonanza, Arkansas (the City). The Department provides water, sewer, and sanitation services to resident and commercial customers in Bonanza, Arkansas. Activities of the fund include administration, operation and maintenance of the water and sewer system, contracting sanitation services, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Utility's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Department is considered to be a component unit of the City of Bonanza, Arkansas. These financial statements reflect only the Water and Sewer Fund of the City of Bonanza, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Department. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Income Tax Status

The Department is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of sanitation fees, and water and sewer fees and surcharges billed to residential, commercial and wholesale customers based on consumption. The Utility does not charge interest on past due accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on historical collection experience and management's evaluation of the collectability of outstanding receivables. Balances that remain outstanding after reasonable collection efforts are written off. The allowance for doubtful accounts at December 31, 2024, totaled \$2,723.

Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value or capacity of the asset or materially extend asset lives are expensed as incurred. The estimated useful lives of the assets are as follows:

Water system	50 years
Sewer system	10 - 50 years
Equipment	5 years
Vehicles	5 years

The Department does not have a capital asset threshold policy.

Leases

The Department determines if an arrangement contains a lease at the inception of a contract. Right-to-use assets represent the Department's right to use an underlying asset for the lease term and lease liabilities represent the Department's obligation to make lease payments arising from the lease during the lease term. Right-to-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The Department does not have any lease agreements.

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Department does not have any SBITA's in excess of one year.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Department. Vacations are not cumulative and no more than five unused vacation days may carry forward six months past the employee's anniversary date without written consent of the Mayor. Employees can carryforward a maximum of 60 unused sick days. Upon termination from the Department, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. No accrual for compensated absences is recorded at December 31, 2024, as the amount is not material to the financial statements.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Department no longer services the customer. The Department uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

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

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Department does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Department personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department consist of water sales, sewage and sanitation fees and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Environment

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

Implementation of (New) Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards that became effective during the Department's fiscal year. Implementation of these standards did not impact the Department's financial statements.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement and guidance under a unified model and by amending certain previously required disclosures.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2. Deposits with Financial Institutions

The Department does not have formal deposit and investment policies, but follows state laws regarding the investment of public funds. State statutes generally require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States Government.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be recovered. The Department follows the provisions of state law which requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas.

At December 31, 2024, Department had no deposits that were uninsured. The bank balances and carrying amount of the Department's deposits held were as follows:

As of December 31, 2024	Bank Balance	Carrying Amount
Insured	\$ 153,713	\$ 152,576
Total	\$ 153,713	\$ 152,576

Deposits as reported in the following Statement of Net Position captions:

As Of December 31, 2024	
Cash and cash equivalents	\$ 14,271
Restricted checking and savings accounts	138,305
Total	\$ 152,576

3. Restricted Cash

The Departments restricted cash accounts are for the following:

Debt Service Reserve - restricted for payment of principal and interest of the Rural Development loans if funds are not available.

Depreciation Reserve - for repairs, maintenance, betterments and improvements of the Department

Bond Funds - established to fund the annual interests and annual principal payments of the Arkansas Natural Resources Commission loan

Meter Deposits - refundable customer deposits.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

3. Restricted Cash (continued)

The restricted cash balances are broken out as follows:

As Of December 31, 2024	
Debt service reserve	\$ 67,680
Depreciation reserve	37,331
Bond fund	15,519
Meter deposits	17,775
Total	\$ 138,305

4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions / Transfers	Retirements/ Transfers	December 31, 2024
Assets not being depreciated				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Construction in progress	36,935	272,163	-	309,098
Assets not being depreciated	90,935	272,163	-	363,098
Assets being depreciated:				
Water system	908,221	-	-	908,221
Sewer system	1,828,029	6,788	-	1,834,817
Equipment	6,408	-	-	6,408
Vehicles	-	4,000	-	4,000
Assets being depreciated:	2,742,658	10,788	-	2,753,446
Total Assets	2,833,593	282,951	-	3,116,544
Less: Accumulated Depreciation				
Water system	269,717	18,164	-	287,881
Sewer system	536,015	36,956	-	572,971
Equipment	5,616	413	-	6,029
Vehicles	-	334	-	334
Total Accumulated Depreciation	811,348	55,867	-	867,215
Net Capital Assets	\$ 2,022,245	\$ 227,084	\$ -	\$ 2,249,329

5. Long-Term Debt

All of the Department's debt was to finance the costs of acquiring, constructing and equipping improvements to the Department's water and sewer systems including the construction of line work, fire hydrants, and a water storage tank.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

5. Long-Term Debt (continued)

Long-term debt is comprised of the following:

As of December 31, 2024	
Arkansas Natural Resources Commission (ANRC) loan dated April 12, 2007, in the amount of \$257,500. Loan repayment was deferred for 10 years with the first principal and interest payment totaling \$87,182 due June 2018. The remaining loan balance is due in annual payments of \$20,662 including interest at 5.00%. The loan is secured by Department's revenues and is scheduled to mature in June 2030	\$ 106,697
Rural Development loan dated February 1, 2007, in the amount of \$574,000. The loan is due in monthly installments of \$2,474 including interest at 4.125%. The loan is secured by Department revenues and is scheduled to mature in 2047	428,106
Rural Development loan dated May 21, 2007, in the amount of \$264,000. The loan is due in monthly installments of \$1,138 including interest at 4.125%. The loan is secured by Department revenues and is scheduled to mature in 2047	198,364
Rural Development loan dated July 26, 2007, in the amount of \$281,000. The loan is due in monthly installments of \$1,245 including interest at 4.25%. The loan is secured by Department revenues and is scheduled to mature in 2047	215,914
Rural Development loan dated July 26, 2007, in the amount of \$180,000. The loan is due in monthly installments of \$783 including interest at 4.125%. The loan is secured by Department revenues and is scheduled to mature in 2047	137,652
Total debt	1,086,733
Less current maturity	42,924
Long-term debt	\$ 1,043,809

The Department's outstanding notes contain certain provisions in the event of loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the Department on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; enforce any and all other rights and remedies by law.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

5. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2025	\$ 42,924	\$ 45,418	\$ 88,342
2026	44,859	43,483	88,342
2027	46,881	41,461	88,342
2028	48,995	39,347	88,342
2029	51,206	37,136	88,342
2030-2034	205,607	155,491	361,098
2035-2039	226,516	111,884	338,400
2040-2045	278,680	59,720	338,400
2045-2047	141,065	6,830	147,895
Total	\$ 1,086,733	\$ 540,770	\$ 1,627,503

6. Activity of Long-Term Liabilities

The activity of long-term liabilities is summarized below:

As of	January 1, 2024	Debt Additions	Debt Retirements	December 31, 2024	Due Within One Year
ANRC	\$ 121,812	\$ -	\$ 15,115	\$ 106,697	\$ 15,421
Rural Development	1,006,424	-	26,388	980,036	27,503
Total	\$ 1,128,236	\$ -	\$ 41,503	\$ 1,086,733	\$ 42,924

7. Transfers

Transfers are made with other City funds to reimburse for operating expenses. The Utility received transfers totaling \$8,359 during the year ended December 31, 2024.

8. Commitments / Concentrations

Financial instruments that potentially subject the Utility to credit risk consist primarily of accounts receivable. The Utility provides unsecured credit to its customers. The receivables are from individuals located within the same geographic region. The credit risk is considered minimal as the individual customer balances are relatively small and the customer base is consistent.

The Department purchases all of its water from one supplier. In 2009, the Department signed a forty year contract with their water supplier allowing for the purchase of water not to exceed 100 gallons per minute, with limitations if there are deemed any periods of water shortages. Rates charged may increase if the Department were to increase rates charged to its customers. The contract may be renewed or extended as agreed upon by both parties.

CITY OF BONANZA, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. Commitments / Concentrations (continued)

The City signed a three year contract commencing on January 1, 2019. for the service of collection and transportation of solid waste in the City. The contract automatically renews for two successive three year terms unless cancelled by either party. The City pays a monthly fee for services based on contract rates which increase by \$0.50 annually. Rates may also be adjusted with written consent of the City to reflect changes in the cost of operations.

9. Risk Management

The Department is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department participates in a public entity risk pool for its insurance coverage. There has been no significant reduction in the Department's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

10. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through February 18, 2026, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REPORT



**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the Honorable Mayor and City Council
City of Bonanza, Arkansas Water and Sewer Department
Bonanza, 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 Bonanza Water and Sewer Department, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated February 18, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bonanza Water and Sewer 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 Bonanza Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bonanza Water and Sewer 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bonanza Water and Sewer 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

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



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 18, 2026