

**New Issue
Book - Entry Only**

Rating⁽¹⁾: S&P: "AA+" (stable outlook)

*In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2025 Bonds, (ii) interest on the Series 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations, (iii) interest on the Series 2025 Bonds is exempt from State of Arkansas income tax, and (iv) the Series 2025 Bonds are exempt from property taxes in the State of Arkansas. (See **TAX MATTERS**.)*

**\$100,170,000
BEAVER WATER DISTRICT
OF BENTON AND WASHINGTON COUNTIES, ARKANSAS
WATER REVENUE BONDS,
SERIES 2025**

Dated: Date of Delivery

**Due: April 15, as shown
on the inside front cover**

Interest on the Series 2025 Bonds is payable on April 15 and October 15 of each year, commencing April 15, 2026, and the Series 2025 Bonds mature on April 15 of each year.

**(FOR THE MATURITY SCHEDULE, INTEREST RATES AND YIELDS,
SEE THE INSIDE FRONT COVER)**

The Series 2025 Bonds are obligations only of the District and are not obligations of the State of Arkansas or any political subdivisions thereof. The District has no taxing power. The payment of principal of and interest on the Series 2025 Bonds is primarily secured by and payable from a pledge of the District's revenues and other resources including revenues derived from the sale of water to the Participating Cities (as defined and described herein), on a parity of security with the SRF Bond (as defined and described herein), pursuant to the terms of a Trust Indenture dated as of the dated date of the Series 2025 Bonds, between the District and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee").

The Series 2025 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2025 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2025 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Series 2025 Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2025 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2025 Bonds, all as further described herein.

The Series 2025 Bonds are offered when, as and if issued, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Series 2025 Bonds is expected in New York, New York, on or about September 16, 2025.



Dated: August 19, 2025

⁽¹⁾ See **RATING** herein.

\$100,170,000
BEAVER WATER DISTRICT
OF BENTON AND WASHINGTON COUNTIES, ARKANSAS
WATER REVENUE BONDS,
SERIES 2025

MATURITY SCHEDULE

\$50,365,000 Serial Bonds

| Year (April 15) | Amount | Rate (%) | Yield (%) |
|--------------------|------------|----------|-----------|
| 2026 | \$ 445,000 | 5.000 | 2.350 |
| 2027 | 1,675,000 | 5.000 | 2.370 |
| 2028 | 1,760,000 | 5.000 | 2.390 |
| 2029 | 1,845,000 | 5.000 | 2.430 |
| 2030 | 1,940,000 | 5.000 | 2.550 |
| 2031 | 2,035,000 | 5.000 | 2.750 |
| 2032 | 2,135,000 | 5.000 | 2.950 |
| 2033 | 2,245,000 | 5.000 | 3.120* |
| 2034 | 2,355,000 | 5.000 | 3.290* |
| 2035 | 2,475,000 | 5.000 | 3.500* |
| 2036 | 2,600,000 | 4.000 | 3.920* |
| 2037 | 2,700,000 | 4.000 | 4.050 |
| 2038 | 2,810,000 | 4.000 | 4.200 |
| 2039 | 2,925,000 | 4.250 | 4.330 |
| 2040 | 3,045,000 | 4.250 | 4.420 |
| 2041 | 3,175,000 | 4.375 | 4.520 |
| 2042 | 3,315,000 | 4.500 | 4.630 |
| 2043 | 3,465,000 | 4.625 | 4.740 |
| 2044 | 3,625,000 | 4.750 | 4.810 |
| 2045 | 3,795,000 | 4.750 | 4.850 |

\$21,920,000 4.875% Term Bonds due April 15, 2050 to Yield 5.000%

\$27,885,000 5.000% Term Bonds due April 15, 2055 to Yield 5.030%

* Priced to first optional redemption date, April 15, 2032.

No dealer, broker, salesman or any other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2025 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the District. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Underwriters have gathered the information in this Official Statement from sources it believes to be reliable, including primarily the District. The Underwriters do not guarantee this information as to its completeness or its accuracy.

By its purchase of the Series 2025 Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriters or any of their officers, representatives, agents, or directors in reaching its decision to purchase the Series 2025 Bonds.

The investor, by its purchase of the Series 2025 Bonds, acknowledges its consent for the Underwriters to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriters under applicable securities laws and regulations.

The Series 2025 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

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OFFICIAL STATEMENT

\$100,170,000
BEAVER WATER DISTRICT
OF BENTON AND WASHINGTON COUNTIES, ARKANSAS
WATER REVENUE BONDS,
SERIES 2025

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof, the inside cover page hereof, and the appendix hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the Beaver Water District of Benton and Washington Counties, Arkansas (the "District") of its Water Revenue Bonds, Series 2025, in the aggregate principal amount of \$100,170,000 (the "Series 2025 Bonds"), dated as of the date of delivery thereof. The Series 2025 Bonds mature and bear interest as shown on the inside front cover.

The Series 2025 Bonds are being issued to finance the costs of acquiring, constructing and equipping extensions, betterments and improvements to the District's water facilities as described herein (the "Project"). See **PURPOSES FOR THE SERIES 2025 BONDS** herein. The Series 2025 Bonds are issued under and are secured by a Trust Indenture dated as of the dated date of the Series 2025 Bonds (the "Indenture"), between the District and Regions Bank, as trustee (the "Trustee"). See **THE INDENTURE**.

The Series 2025 Bonds will be issued pursuant to a Resolution adopted by the Board of Directors of the District.

Payment of principal of the Series 2025 Bonds will be made at the corporate trust office of the Trustee located in Little Rock, Arkansas. Payment of interest on the Series 2025 Bonds shall be by check or draft to the registered owner of the Series 2025 Bonds.

The Series 2025 Bonds are payable from, and secured by a pledge of, the District's revenues and other resources, including particularly, and without limitation, revenues derived from the sale of water to the Cities of Bentonville, Fayetteville, Rogers, and Springdale, Arkansas (collectively, the "Participating Cities") (as hereinafter described), and a lien on and security interest in certain of its properties, on a parity of security with the currently outstanding Parity Obligations (as defined in **SECURITY FOR THE BONDS**). The Participating Cities are not in any way obligated to pay the principal of and interest on the Series 2025 Bonds. See **SECURITY FOR THE BONDS, THE DISTRICT** and **THE PARTICIPATING CITIES**.

This Official Statement contains brief descriptions of the Series 2025 Bonds, security for the Series 2025 Bonds, the District, the Participating Cities, the Indenture, and the Continuing Disclosure Agreement (as hereinafter identified). The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document or statute for the complete details of all terms and conditions. Terms not defined herein shall have the meanings set forth in the respective documents.

PURPOSES OF SERIES 2025 BONDS

The Series 2025 Bonds are being issued (i) to finance a portion of the costs of the Project, and (ii) to pay costs of issuing the Series 2025 Bonds.

The Project includes the first phase of a multi-phase infrastructure improvement plan. Authorized uses of Series 2025 Bond proceeds consist of acquiring, constructing, and equipping extensions, betterments, and improvements to the District's water system, including particularly, without limitation, (i) the acquisition, construction, and equipping of a water treatment plant, (ii) the acquisition, construction, equipping, and installation of a new clearwell, (iii) the acquisition, construction, equipping, and installation of a raw water pipeline, and (iv) the acquisition, construction, equipping, and installation of upgrades to raw water intake facilities. Specific components of the Project and the District's infrastructure plan are set forth hereinafter under the caption **THE DISTRICT, District's Facilities**.

The uses of proceeds to finance costs of the Project are estimated to be as follows:

PROCEEDS:

| | |
|---------------------------------------|----------------------|
| Principal Amount of Series 2025 Bonds | \$100,170,000 |
| Net Original Issue Premium | <u>879,522</u> |
| TOTAL | \$101,049,522 |

USES:

| | |
|------------------------|----------------------|
| Project Costs | \$100,003,077 |
| Costs of Issuance | 195,000 |
| Underwriters' Discount | <u>851,445</u> |
| TOTAL | \$101,049,522 |

The payment of Underwriters' discount and the costs of issuing the Series 2025 Bonds relating to the payment of professional fees will be contingent on the Series 2025 Bonds being issued. See **UNDERWRITING** for a description of the Underwriters' discount. The District will deposit the principal amount of the Series 2025 Bonds plus original issue premium and less Underwriters' discount and original issue discount into a special fund in the Trustee designated "Construction Fund, Series 2025" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of issuing the Series 2025 Bonds and for the Project. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and a statement to the effect that the disbursement is for a proper expense of or pertaining to the Project or expenses of issuing the Series 2025 Bonds. For a description of how the Series 2025 Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE INDENTURE, Investment of Funds**.

THE SERIES 2025 BONDS

Generally. The Series 2025 Bonds are dated, mature, bear interest and interest is payable on the Series 2025 Bonds as set forth on the inside front cover hereof. Payment of each installment of interest shall be made to the person in whose name a Series 2025 Bond is registered on the registration books of the District maintained by the Trustee at the end of the last business day of the month next preceding each interest payment date (the "Record Date") irrespective of any transfer or exchange of a Series 2025 Bond subsequent to such Record Date and prior to such interest payment date. Such interest payments shall be by the Trustee by check or draft to such registered owner at the address appearing on such registration books.

The Series 2025 Bonds are issuable in the form of registered Series 2025 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2025 Bond is mutilated, lost or destroyed, the District shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2025 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2025 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the designated corporate trust office of the Trustee. Upon such transfer a new fully registered Series 2025 Bond or Series 2025 Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the District and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the District nor the Trustee shall be required to make transfers of registration with respect to any Series 2025 Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.

The person in whose name any Series 2025 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2025 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2025 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2025 Bonds or the date fixed for redemption of any Series 2025 Bonds shall be a Saturday or Sunday or shall be in the State of Arkansas (the "State") a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2025 Bonds are subject to extraordinary, optional, and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Series 2025 Bonds must be redeemed from proceeds of the Series 2025 Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Series 2025 Bonds are callable at the option of the District on and after April 15, 2032, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Series 2025 Bonds shall be called for redemption, the particular maturities of the Series 2025 Bonds to be redeemed shall be selected by the District in its discretion. If fewer than all of the Series 2025 Bonds of any one maturity shall be called for redemption, the particular Series 2025 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2025 Bonds maturing on April 15 in the years 2050 and 2055 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on April 15 of each year as follows:

Series 2025 Bonds Maturing April 15, 2050

| <u>Year</u> | <u>Principal Amounts</u> |
|-----------------|--------------------------|
| 2046 | \$3,975,000 |
| 2047 | 4,170,000 |
| 2048 | 4,375,000 |
| 2049 | 4,590,000 |
| 2050 (maturity) | 4,810,000 |

Series 2025 Bonds Maturing April 15, 2055

| <u>Year</u> | <u>Principal Amounts</u> |
|-----------------|--------------------------|
| 2051 | \$5,045,000 |
| 2052 | 5,300,000 |
| 2053 | 5,565,000 |
| 2054 | 5,840,000 |
| 2055 (maturity) | 6,135,000 |

Notice of Redemption. The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or other standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner of any Series 2025 Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Series 2025 Bonds or portions thereof (which must be integral multiples of \$5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

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SECURITY FOR THE BONDS

The Series 2025 Bonds and any Additional Bonds (as hereinafter defined) issued under the Indenture (collectively, "Bonds") are secured by a pledge of the revenues and other resources of the District, including particularly, revenues derived from the sale of water to the Participating Cities on a parity of security with the currently outstanding Parity Obligations. See **THE PARTICIPATING CITIES**.

The Bonds are further secured by a lien on and security interest in certain of its property and replacements thereof. See **THE INDENTURE, Security for the Bonds**.

The District has no taxing power. The resources of the District are limited to the water facilities and the revenues derived from the sale of water produced by said facilities including payment made by the Participating Cities (the Cities of Bentonville, Fayetteville, Rogers, and Springdale, Arkansas) pursuant to the Memorandum of Understanding (hereinafter defined). The Memorandum of Understanding does not constitute a take, take or pay or requirements contract. The Participating Cities are not in any way obligated to pay to principal of and interest on the Series 2025 Bonds. See **THE DISTRICT** for a discussion of the Participating Cities' obligations under the Memorandum of Understanding.

The District is a public water distribution district organized for the purpose of providing treated drinking water on a regional basis. Specifically, the District takes water from Beaver Lake and treats it for sale to the Participating Cities. In order to accomplish this purpose, the District incurred indebtedness to finance the construction of intake facilities and treatment facilities. The District has entered into a water supply contract with the United States Corps of Engineers which entitles the District to withdraw municipal and industrial water from Beaver Lake in specified amounts and obligates the District to make certain payments. See **THE DISTRICT**.

There is no debt service reserve securing the Series 2025 Bonds.

Additional Bonds. The District has reserved the right to issue additional bonds ("Additional Bonds") under the Indenture. Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following:

(1) A copy, certified by the Secretary of the District, of the resolution authorizing the Additional Bonds and directing their delivery to or upon the order of purchasers therein named upon payment of the purchase price therein set forth or therein referred to;

(2) A certificate of the President of the District stating that no event of default specified in the Indenture has happened and is then continuing;

(3) An opinion of counsel selected by the District but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds have been taken and that, when executed, authenticated and delivered, such bonds will be valid, binding and enforceable obligations of the District secured by the Indenture on a parity with Parity Obligations and with previously issued bonds secured thereby;

(4) A certificate of an independent certified public accountant to the effect that "adjusted gross revenues" of the District (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

(a) to pay all operation and maintenance expenses of the District (exclusive of depreciation and debt service expenses) for the immediately preceding fiscal year;

(b) to make all payments into the Depreciation Fund that were required by the provisions of the Indenture to be made during the immediately preceding fiscal year, if any; and

(c) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the District, for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for delivery and (C) any then outstanding Parity Obligations (hereinafter defined) (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds and for which the holders of the Parity Obligations or their agent must have agreed to releasing the lien on revenues and the mortgaged properties securing the Parity Obligations as a result of the refunding).

The Additional Bonds shall be dated, interest shall be payable semiannually on the dates, the principal shall mature as serial bonds or as term bonds, or as a combination thereof, and they may contain provisions for redemption prior to maturity as well as other provisions, all as shall be set forth in the resolution authorizing their issuance. The authorizing resolution shall set forth the details concerning the Additional Bonds, which shall be embodied in a supplemental indenture by and between the District and the Trustee. All such Additional Bonds shall be issued on a parity with all other bonds issued under the Indenture, including the Bonds.

The term "adjusted gross revenues" means:

- (1) The gross revenues actually received by the District during the fiscal year immediately preceding the delivery of the Additional Bonds; plus
- (2) Any additional revenues (as projected by the accountant executing the certificate as to adjusted gross revenues, on the basis of actual water sales) that would have been derived from a rate increase actually placed into effect after the beginning of such fiscal year if such rate increase had been in effect throughout the fiscal year; plus
- (3) Any additional annual revenues as projected in a certificate of an independent consulting engineer (on the basis of the then current water rates) to be derived from new customers to be served upon completion of improvements then under construction or to be financed, in whole or in part, from the proceeds of the Additional Bonds delivered to the Trustee.

The District may issue bonds or other obligations of indebtedness other than under the Indenture. Such obligations may be issued on a parity with bonds issued under the Indenture, including the Bonds, subject to meeting the requirements for the issuance of Additional Bonds, as described above ("Parity Obligations"). Otherwise, other obligations shall be subject and subordinate to all bonds then outstanding or thereafter issued under the Indenture.

The currently outstanding Parity Obligations consist of the District's Water Revenue Bond, Series 2023, dated April 6, 2023 (the "SRF Bond"), which is an obligation issued through the Arkansas Drinking Water State Revolving Loan Fund and is owned by the Arkansas Development Finance Authority, and any renewals or refinancings thereof that are issued on a parity with the Series 2025 Bonds. The SRF Bond has a draw-down structure with a maximum authorized principal amount of \$125,686,157 (as of August 8, 2025, \$48,898,947 has been drawn), and has a borrowing rate of 1.75% (a 0.75% interest rate plus a 1.00% servicing fee). Interest is being capitalized with proceeds of the SRF Bond through and including April 15, 2026. Commencing after April 15, 2026, semiannual payments of principal and interest are due on each April 15 and October 15 through the April 15, 2046 maturity date. At this time, the District does not anticipate that it will draw the full principal amount of the SRF Bond, and the District anticipates that it will re-amortize the SRF Bond based on the final amount drawn. Debt service schedules for the SRF Bond are set forth in **DEBT SERVICE SCHEDULES** herein.

THE DISTRICT

Generally and Supply. The Beaver Water District of Benton and Washington Counties was organized as a public water distribution district by order of the Benton County Circuit Court on August 27, 1959 for the purpose of obtaining water storage rights in Beaver Reservoir from the United States of America represented by the U.S. Army Corps of Engineers (the "Corps") and supplying treated drinking water to municipalities within Benton and Washington Counties. Over time, the District has entered into contracts with the Corps to purchase water storage rights in Beaver Lake for treatment and use by the Participating Cities. These contracts, which were entered into in 1960, 1970, 1993, and 2006 provide the District with a total of 136,757 acre-feet of storage allocation, which the Corps has determined will yield 120 million gallons per day (MGD) during the drought of record without compromising the rights of other water storage rights holders. The District is obligated to make payments to the Corps for both water storage and operation and maintenance (see Note 9 of the audited financial statements of the District for the fiscal year ended September 30, 2024 attached hereto as Appendix A). As of 2025, the District's average daily demand is approximately 81 MGD. Utilizing the average water demand growth rate for the last 20 years, the District projects that its current storage allocation within Beaver Lake will provide sufficient water to meet daily water system requirements through at least 2030. For drinking water demand beyond 2030, the District has initiated the water storage reallocation process with the Corps in order to increase its storage allocation from Beaver Lake.

Memorandum of Understanding. In 1967, the District and the Participating Cities entered into a Memorandum of Understanding and Contract for Construction, Maintenance, Operation and Expansion of Beaver Water Supply Facilities ("Memorandum of Understanding"). Pursuant to the Memorandum of Understanding, the District agreed to construct, operate, maintain and expand a drinking water treatment plant as required to meet the then present and future needs of the Participating Cities. The Participating Cities agreed to build and maintain their own water supply lines from the point of the water discharge at the District's drinking water treatment plant to their respective distribution systems. The Participating Cities are also permitted to serve, through the systems, other smaller cities and other approved water distribution agencies within Benton and Washington counties.

The Memorandum of Understanding provides that the Participating Cities will make payments to the District for drinking water used by each Participating City for the total cost to the District of the water delivered, including, but not limited to, amortization of the District's indebtedness, operation and maintenance of the District's facilities and the cost of expansion of the District's facilities. Payments made by the Participating Cities for the fiscal years September 30, 2020 through 2024 are set out under the heading **FINANCIAL INFORMATION, Summary of Audited Financial Statements**.

The past five rate levels that the District has charged the Participating Cities for the cost of water delivered are as follows:

| Effective Date | Rate Per <u>1,000 Gal.</u> |
|-------------------|-------------------------------|
| October 1, 2019 | \$1.38 |
| October 1, 2021 | 1.41 |
| October 1, 2022 | 1.46 |
| October 1, 2023 | 1.54 |
| October 1, 2024 | 1.67 |

The District has approved an increase in the water rate to \$1.82 per 1,000 gallons effective October 1, 2025.

The Memorandum of Understanding does not constitute a take, take or pay or requirements contract. The Participating Cities are not in any way obligated to pay the principal of and interest on the Series 2025 Bonds. The Participating Cities' obligations to make payments under the Memorandum of Understanding

are evidenced, as to each Participating City, by water rate ordinances duly enacted in accordance with state law. The Participating Cities' sources of payment are limited to revenues from their respective water systems pursuant to these water rate ordinances. FURTHER, THE REVENUES DERIVED FROM THESE WATER RATE ORDINANCES ARE NOT PLEDGED BY THE PARTICIPATING CITIES TO THE REPAYMENT OF THE BONDS AND ARE SUBJECT TO THE DEBT REQUIREMENTS ON ANY OUTSTANDING BONDS OF THE CITIES SECURED BY WATER REVENUES. PAYMENTS MADE TO THE DISTRICT BY THE PARTICIPATING CITIES ARE CONSIDERED BY THE CITIES TO BE OPERATING EXPENSES. See **SECURITY FOR THE BONDS** and **THE PARTICIPATING CITIES**.

District's Facilities. The District's treatment and intake facilities are located on an approximately 680-acre site owned by the District close to the city limits of Lowell, Arkansas, near its intake structure on Beaver Reservoir. The District currently has 66 employees, and its administration and treatment facilities are located at 301 North Primrose Road, Lowell, Arkansas 72745.

The District's original intake ("South Intake") was constructed in the mid-1960s, and a second intake ("North Intake") and a 60-inch diameter raw water line were constructed in 2004-2005. The 60-inch line serves the North Intake, while the 36-inch and 48-inch lines serve the South Intake.

The District operates three water treatment plants, which operate in parallel and on one site, with a combined nominal capacity of 140 MGD. The Joe M. Steele Plant ("Steele") was originally constructed in 1963, and expansions were completed in 1970 and 1978 to achieve Steele's present design capacity of 40 MGD. Steele was renovated with new flocculation/sedimentation basins and new chemical feed facilities in 2008-2009. The original Croxton Plant ("Croxton") was completed in 1993 and has a capacity of 40 MGD. The Croxton Expansion Plant ("Expansion") was constructed in 2004-2005 and has a capacity of 60 MGD.

The plants are conventional surface water treatment plants consisting of coagulation, flocculation, sedimentation, filtration, and disinfection. Chlorine dioxide for pre-oxidation is added in the raw water pipeline as the water travels from the intakes to the treatment plant. Chlorine is added before and after filters for disinfection. The plants' treated water is stored in a common clearwell and pumped to the customer cities via treated water pump stations. The plants achieve the necessary contact time for disinfection by utilization of a baffling system in the clearwell.

In 2023, the District commenced work on a project named the Western Corridor Project. The project consists of the installation of approximately 40,000 feet (approximately 7.6 miles) of 60-inch-diameter transmission line ("Western Corridor Pipeline") and construction of a large pump station ("Western Corridor Pump Station"). The pipeline will convey treated water from the District's treatment facilities to the Western Corridor Pump Station, which is being constructed in northwestern Springdale along Miller Road and just north of Arkansas Highway 612 ("Springdale Northern Bypass"). The Western Corridor Pump Station will provide an additional connection point to the Participating Cities, which will increase conveyance capacity and water supply reliability to the cities.

The Western Corridor Pump Station's design allows for the installation of four pumps for each Participating City, which results in an ultimate buildout of sixteen pumps. Initially, three pumps will be installed for both Fayetteville and Springdale, with the flexibility to add a fourth pump for each of them in the future as needed. Both Fayetteville and Springdale plan to connect to the Western Corridor Pump Station in 2026. Bentonville's master plan shows a connection to the Western Corridor Pump Station in 2028, and Rogers preliminarily plans to connect in 2030. Pumps for Bentonville and Rogers will be added as they connect to the facility.

The District expects that the cost of the Western Corridor Pipeline project will be approximately \$75,000,000, and those costs are being financed with proceeds of the SRF Bond. The District expects that the cost of the Western Corridor Pump Station will be approximately \$40,000,000, and those costs are being paid by the District using reserves. Construction contracts for both the Western Corridor Pipeline and Western Corridor Pump Station were awarded in April of 2023, and the completion of both projects is expected in the second quarter of 2026.

In 2024, the District entered into an agreement with a solar vendor for construction of a 4.99-megawatt solar generating facility on the District's property. Construction of the facility commenced in June 2025, and completion is expected to be in late 2025 or early 2026. Costs of the solar farm are being paid by the District using reserves.

The Series 2025 Bonds are being issued to finance the Project (see **PURPOSES OF SERIES 2025 BONDS** herein), which is the first phase of a significant multi-phase infrastructure improvement plan. The Project is expected to include particularly, without limitation, (i) the acquisition, construction, and equipping of a water treatment plant, (ii) the acquisition, construction, equipping, and installation of a new clearwell, (iii) the acquisition, construction, equipping, and installation of a raw water pipeline, and (iv) the acquisition, construction, equipping, and installation of upgrades to raw water intake facilities. Specific components of the Project and the District's infrastructure plan are set forth below:

- **South Intake Expansion** – This portion of the infrastructure plan consists of replacement of three smaller pumps with three 1,000 horsepower pumps with a design pumping capacity of approximately 14 MGD each so that the South Intake facility will have a total of eight pumps of equal size and capacity. Modifications include the necessary mechanical and electrical interconnections. After completion, the District anticipates that the South Intake will have a nominal intake firm capacity of approximately 80 MGD. Design work on the South Intake portion of the infrastructure plan is underway and is anticipated to be completed in 2025, and the District currently anticipates that construction will commence in fall 2025 and be completed by spring 2026. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves, and the District anticipates that the combined cost of the South Intake Expansion and the North Intake Expansion will be approximately \$6,000,000 in the aggregate.
- **North Intake Expansion** – This portion of the infrastructure plan consists of installation of five new 1,250 horsepower pumps with a design pumping capacity of approximately 16 MGD each so that the North Intake will have ten pumps in total with a nominal intake firm capacity of approximately 140 MGD. Modifications include the necessary mechanical and electrical interconnections. The North Intake's increased capacity will be utilized while the South Intake is offline for necessary rehab improvements. Design work on the North Intake portion of the infrastructure plan is underway and is anticipated to be completed in 2025, and the District currently anticipates that construction and installation will commence in fall 2025 and be completed by spring 2026. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves, and the District anticipates that the combined cost of the South Intake Expansion and the North Intake Expansion will be approximately \$6,000,000 in the aggregate.
- **Raw Water Transmission Line** – This portion of the infrastructure plan consists of installation of approximately 2 miles of 72-inch welded steel raw water transmission line from the North Intake to the District's treatment plants. The new transmission line will run parallel to the existing raw water transmission mains, and it is designed to increase raw water transmission capacity from approximately 140 MGD to approximately 220 MGD. The new pipeline will include four new standpipe-style surge towers, which will replace four existing surge towers on the existing transmission mains. Design work on the Raw Water Transmission Line portion of the infrastructure plan was completed in 2025. Construction is anticipated to begin in fall 2025, and the District anticipates that work will be completed by summer 2026. The District anticipates that this portion of the Project will be financed with proceeds

of the Series 2025 Bonds and with reserves, and the District anticipates that the cost of the Raw Water Transmission Line will be approximately \$27,000,000.

- **Treatment Plant** – This portion of the infrastructure plan consists of a new water treatment plant with a design treatment capacity of 80 MGD. After completion, the District's treatment facilities will have a combined total 220-MGD design capacity. This portion of the infrastructure plan includes the construction of a new raw water split box, flocculation/sedimentation basin, filtration complex with dual media filters, backwash blowers and pump station, waste wash water and filter-to-waste basin, chemical feed facilities, gravity thickener and clarifiers, solids storage pad, excess flow holding basin, along with other miscellaneous ancillary components including yard piping, site grading, electrical, controls, etc. Design work on the Treatment Plant Expansion portion of the infrastructure plan is anticipated to be completed in fall 2025, and the District anticipates that construction will commence in early 2026 with completion in late 2029 or early 2030. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues, and the District anticipates that the cost of the Treatment Plant will be approximately \$348,000,000.
- **Clearwell** – This portion of the infrastructure plan consists of a new 16 million-gallon cast-in-place concrete clearwell storage facility. After the new clearwell is online, the District will have approximately 30 million gallons of clearwell storage. In conjunction with the construction of the new clearwell, the District plans to install approximately 3,400 feet of 48-inch transmission main to serve Fayetteville and various lengths of 60-inch and 72-inch filtered water effluent and clearwell interconnect piping, valves and flow meters. Design work on the Clearwell portion of the infrastructure plan was completed in 2025. Construction began in spring 2025 and is anticipated to be completed in spring 2027. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues, and the District anticipates that the cost of the Clearwell will be approximately \$44,500,000.
- **High Service Pump Additions** – This portion of the infrastructure plan consists of various improvements to the treated water high service pump stations, including future pump additions to the Western Corridor Pump Station, that serve each of the District's customers to ensure that each customer's water demands are met. Design work and associated installation/construction on the treated water high service pump station portion of the infrastructure plan will vary and be sequenced over the next five years. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues, and the District anticipates that the cost of the high service pump additions will be approximately \$4,000,000.
- **Intake Generation Facility** – This portion of the infrastructure plan consists of installing additional backup power generation utilizing diesel fueled engine-generators. This new backup generation facility will be located near the Intakes. This facility will provide backup power for a planned new utility substation that is also to be constructed at the site. The project will include installation of approximately 10 megawatts of generation capacity along with associated paralleling switchgear and electrical improvements. Design work on the Intake Generation Facility is anticipated to be completed in summer 2026. The District anticipates that equipment procurement will begin in fall 2025, with construction to begin in fall 2026 and completion by summer 2028. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues, and the District anticipates that the cost of the Intake Generation Facility will be approximately \$46,000,000.
- **Solids Handling Facilities** – This portion of the infrastructure plan consists of a new dedicated gravity thickener to handle high-turbidity events (to supplement the existing thickener), a new solids holding tank (to supplement the existing solids holding tank), replacement and upsizing of the three existing centrifuges, addition of three new centrifuges (resulting in total of six centrifuges), replacement of the dewatered solids conveyance system, and rehab to the existing clarifier and gravity thickeners. This work is planned to be contracted along with the Treatment Plant Expansion. Design work on the Solids

Handling Facilities portion of the infrastructure plan will be completed in fall 2025. The District anticipates that construction will commence in winter 2026, with completion in spring 2029. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues. The anticipated cost of the Solids Handling Facilities is included in the anticipated cost for the Treatment Plant.

- South Intake Rehab** – This portion of the infrastructure plan consists of mechanical and electrical rehab of the South Intake facility. This facility was originally constructed in the 1960s, and portions of the facility have reached the end of their useful life and are in need of upgrade. Design and construction work on the South Intake Rehab portion of the infrastructure plan will be completed approximately in 2030. The District anticipates that this portion of the Project will be financed with proceeds of the Series 2025 Bonds and with reserves and future revenue bond issues, and the District anticipates that the cost of the South Intake Rehab will be approximately \$17,500,000.

The timing, scope, and anticipated cost of the infrastructure plan are subject to change. Certain factors, such as construction cost increases, financing cost increases, and construction delays, may change the timing or cost of the Project, perhaps materially, and the District is unable to foresee any such future events. Costs of future phases will be financed, at least in large part, by the issuance of revenue bonds, which may be issued as "Parity Obligations" (as hereinafter defined) that are secured with a lien and pledge on a parity with the lien and pledge in favor of the Series 2025 Bonds.

Water Sales. The volume of water sold by the District for the last five fiscal years was as follows:

| <u>Fiscal Year</u> <u>(September 30)</u> | <u>Total Gallons Sold</u> |
|---|---------------------------|
| 2020 | 20,902,521,000 |
| 2021 | 21,966,324,000 |
| 2022 | 24,032,850,000 |
| 2023 | 25,753,426,000 |
| 2024 | 27,924,562,000 |

The volume of water purchased by each Participating City for the past five (5) fiscal years in millions of gallons (MG) is as follows:

| <u>NAME</u> | <u>Fiscal Years Ended September 30</u> | | | | |
|---------------------------|--|---------------|---------------|---------------|---------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Bentonville | 7,315,058,000 | 6,514,538,000 | 5,560,818,000 | 4,553,883,000 | 4,428,835,000 |
| Fayetteville | 8,765,040,000 | 7,912,500,000 | 7,664,398,000 | 7,029,809,000 | 6,543,563,000 |
| Rogers | 3,907,919,000 | 3,723,969,000 | 3,898,257,000 | 3,925,127,000 | 3,583,821,000 |
| Springdale ⁽¹⁾ | 7,936,545,000 | 7,602,419,000 | 6,909,377,000 | 6,457,505,000 | 6,346,302,000 |

⁽¹⁾ Cargill, Inc., which was a significant purchaser of water from Springdale, has announced plans to close its processing plant on August 1, 2025.

Governance and Management. The District is governed by a six-member Board of Directors composed of three qualified voters from each County elected by Benton County and Washington County electors for a term of six years. Names and occupations of present members of the Board of Directors are:

| <u>Name</u> | <u>Occupation</u> | <u>Term Expires (December 31)</u> |
|------------------------------------|---|---------------------------------------|
| Bill Watkins, President | Attorney | 2033 |
| Chris Weiser, Vice President | Manufacturing Company CEO | 2030 |
| Woody Bassett, Secretary-Treasurer | Attorney | 2032 |
| David A. Short | Bank President | 2032 |
| Mary L. Gardner | Industrial Supply Company Owner | 2030 |
| Leigh Ann Johnston | Communications Firm Senior Vice President | 2033 |

The key employees of the District are:

| <u>Name</u> | <u>Title</u> | <u>Age</u> | <u>Approximate Length of Time with District</u> |
|-------------------------------|-------------------------------|------------|---|
| M. Lane Crider | Chief Executive Officer | 55 | 7 years |
| Kevan Inboden | Chief Operating Officer | 58 | 3 years |
| Colleen Sarkar ⁽¹⁾ | Chief Financial Officer | 39 | N/A |
| Stacy Cheevers | Plant Manager | 57 | 34 years |
| Darryl Fendley | Engineering Manager | 46 | 7 years |
| James McCarty | Environmental Quality Manager | 42 | 8 years |
| Korenda Allen | Director of Human Resources | 47 | 4 years |
| Ray Avery | Information Systems Manager | 48 | 19 years |
| Mindi Dearing | Compliance Manager | 53 | 20 years |
| Trish Ouei | Director of Public Affairs | 48 | 4 years |

⁽¹⁾ Colleen Sarkar became the District's Chief Financial Officer in June 2025. Ms. Sarkar succeeds Adam K. Motherwell, who retired in June 2025 after serving more than 10 years as Chief Financial Officer for the District.

Litigation. There is no material litigation or regulatory proceeding pending or threatened against the District or its water system.

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FINANCIAL INFORMATION

Below is a summary of financial information of the District for the fiscal years ended September 30, 2020 through 2024, based on the District's audited financial statements.

| | <u>Fiscal Years Ended September 30.</u> | | | | |
|--------------------------------------|---|---------------------|---------------------|---------------------|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Operating Revenues: | | | | | |
| Fayetteville | \$13,498,162 | \$11,552,250 | \$10,806,801 | \$9,701,136 | \$9,030,117 |
| Springdale | 12,222,279 | 11,099,532 | 9,742,222 | 8,911,357 | 8,757,897 |
| Rogers | 6,018,195 | 5,436,995 | 5,496,542 | 5,416,675 | 4,945,673 |
| Bentonville | <u>11,265,189</u> | <u>9,511,225</u> | <u>7,840,754</u> | <u>6,284,359</u> | <u>6,111,792</u> |
| Total | \$43,003,825 | \$37,600,002 | \$33,886,319 | \$30,313,527 | \$28,845,479 |
| Operating Expense | <u>(21,073,217)</u> | <u>(20,538,508)</u> | <u>(18,293,775)</u> | <u>(15,068,684)</u> | <u>(14,814,682)</u> |
| Operating Income Before Depreciation | 21,930,608 | 17,061,494 | 15,592,544 | 15,244,843 | 14,030,797 |
| Depreciation | <u>(5,711,434)</u> | <u>(5,630,713)</u> | <u>(4,650,661)</u> | <u>(4,973,073)</u> | <u>(4,845,489)</u> |
| Operating Income | 16,219,174 | 11,430,781 | 10,941,883 | 10,271,770 | 9,185,308 |
| Non-Operating Revenues (Expenses) | | | | | |
| Investment Income | 3,136,885 | 837,134 | 257,496 | 311,727 | 598,422 |
| Unrealized Gain (Loss) | 2,225,581 | 650,023 | (2,437,568) | (59,345) | 959,544 |
| Other Gain (Loss) | 29,309 | 39,381 | (79) | 148,960 | 149,085 |
| Interest on Bonds & Related Fees | <u>(210,592)</u> | <u>(52,067)</u> | <u>(275,682)</u> | <u>(390,983)</u> | <u>(447,106)</u> |
| Net Income | <u>\$21,400,357</u> | <u>\$12,905,252</u> | <u>\$8,486,050</u> | <u>\$10,282,129</u> | <u>\$10,445,253</u> |

DEBT SERVICE SCHEDULES

Set forth below are the debt service requirements for the Series 2025 Bonds during each year ending September 30:

| Fiscal Year (Ending September 30) | Series 2025 Bond Principal | Series 2025 Bond Interest | Total Debt Service |
|--------------------------------------|-------------------------------|------------------------------|-------------------------|
| 2025 | - | - | - |
| 2026 | \$ 445,000 | \$ 2,779,271.84 | \$ 3,224,271.84 |
| 2027 | 1,675,000 | 4,765,012.50 | 6,440,012.50 |
| 2028 | 1,760,000 | 4,681,262.50 | 6,441,262.50 |
| 2029 | 1,845,000 | 4,593,262.50 | 6,438,262.50 |
| 2030 | 1,940,000 | 4,501,012.50 | 6,441,012.50 |
| 2031 | 2,035,000 | 4,404,012.50 | 6,439,012.50 |
| 2032 | 2,135,000 | 4,302,262.50 | 6,437,262.50 |
| 2033 | 2,245,000 | 4,195,512.50 | 6,440,512.50 |
| 2034 | 2,355,000 | 4,083,262.50 | 6,438,262.50 |
| 2035 | 2,475,000 | 3,965,512.50 | 6,440,512.50 |
| 2036 | 2,600,000 | 3,841,762.50 | 6,441,762.50 |
| 2037 | 2,700,000 | 3,737,762.50 | 6,437,762.50 |
| 2038 | 2,810,000 | 3,629,762.50 | 6,439,762.50 |
| 2039 | 2,925,000 | 3,517,362.50 | 6,442,362.50 |
| 2040 | 3,045,000 | 3,393,050.00 | 6,438,050.00 |
| 2041 | 3,175,000 | 3,263,637.50 | 6,438,637.50 |
| 2042 | 3,315,000 | 3,124,731.26 | 6,439,731.26 |
| 2043 | 3,465,000 | 2,975,556.26 | 6,440,556.26 |
| 2044 | 3,625,000 | 2,815,300.00 | 6,440,300.00 |
| 2045 | 3,795,000 | 2,643,112.50 | 6,438,112.50 |
| 2046 | 3,975,000 | 2,462,850.00 | 6,437,850.00 |
| 2047 | 4,170,000 | 2,269,068.76 | 6,439,068.76 |
| 2048 | 4,375,000 | 2,065,781.26 | 6,440,781.26 |
| 2049 | 4,590,000 | 1,852,500.00 | 6,442,500.00 |
| 2050 | 4,810,000 | 1,628,737.50 | 6,438,737.50 |
| 2051 | 5,045,000 | 1,394,250.00 | 6,439,250.00 |
| 2052 | 5,300,000 | 1,142,000.00 | 6,442,000.00 |
| 2053 | 5,565,000 | 877,000.00 | 6,442,000.00 |
| 2054 | 5,840,000 | 598,750.00 | 6,438,750.00 |
| 2055 | 6,135,000 | 306,750.00 | 6,441,750.00 |
| TOTALS | \$100,170,000 | \$89,810,109.38 | \$189,980,109.38 |

Set forth below are the debt service requirements for the Series 2025 Bonds and the currently outstanding Parity Obligations (the SRF Bond) (See **SECURITY FOR THE BONDS**) during each fiscal year ending September 30:

| Fiscal Year (Ending September 30) | Series 2025 | | Total Debt Service |
|--------------------------------------|-----------------------|-----------------------------|-----------------------|
| | Bonds Debt Service | SRF Bond Debt Service(1) | |
| 2025 | - | - | - |
| 2026 | \$ 3,224,271.84 | - | \$ 3,224,271.84 |
| 2027 | 6,440,012.50 | \$ 7,475,260 | 13,915,272.50 |
| 2028 | 6,441,262.50 | 7,475,260 | 13,916,522.50 |
| 2029 | 6,438,262.50 | 7,475,260 | 13,913,522.50 |
| 2030 | 6,441,012.50 | 7,475,260 | 13,916,272.50 |
| 2031 | 6,439,012.50 | 7,475,260 | 13,914,272.50 |
| 2032 | 6,437,262.50 | 7,475,260 | 13,912,522.50 |
| 2033 | 6,440,512.50 | 7,475,260 | 13,915,772.50 |
| 2034 | 6,438,262.50 | 7,475,260 | 13,913,522.50 |
| 2035 | 6,440,512.50 | 7,475,260 | 13,915,772.50 |
| 2036 | 6,441,762.50 | 7,475,260 | 13,917,022.50 |
| 2037 | 6,437,762.50 | 7,475,260 | 13,913,022.50 |
| 2038 | 6,439,762.50 | 7,475,260 | 13,915,022.50 |
| 2039 | 6,442,362.50 | 7,475,260 | 13,917,622.50 |
| 2040 | 6,438,050.00 | 7,475,260 | 13,913,310.00 |
| 2041 | 6,438,637.50 | 7,475,260 | 13,913,897.50 |
| 2042 | 6,439,731.26 | 7,475,260 | 13,914,991.26 |
| 2043 | 6,440,556.26 | 7,475,260 | 13,915,816.26 |
| 2044 | 6,440,300.00 | 7,475,260 | 13,915,560.00 |
| 2045 | 6,438,112.50 | 7,475,260 | 13,913,372.50 |
| 2046 | 6,437,850.00 | 7,475,265 | 13,913,115.00 |
| 2047 | 6,439,068.76 | | 6,439,068.76 |
| 2048 | 6,440,781.26 | | 6,440,781.26 |
| 2049 | 6,442,500.00 | | 6,442,500.00 |
| 2050 | 6,438,737.50 | | 6,438,737.50 |
| 2051 | 6,439,250.00 | | 6,439,250.00 |
| 2052 | 6,442,000.00 | | 6,442,000.00 |
| 2053 | 6,442,000.00 | | 6,442,000.00 |
| 2054 | 6,438,750.00 | | 6,438,750.00 |
| 2055 | 6,441,750.00 | | 6,441,750.00 |
| TOTALS | \$189,980,109.38 | \$149,505,205 | \$339,485,314.38 |

(1) Debt service amounts assume that the entire \$125,686,157 of the SRF Bond is drawn by the District (as of August 8, 2025, \$48,898,947 has been drawn). At this time, the District does not anticipate that it will draw the full principal amount of the SRF Bond, and the District anticipates that it will re-amortize the SRF Bond based on the final amount drawn. Re-amortization requires consent of the State of Arkansas. While the District believes that such consent will be received, the District does not have the unilateral right to re-amortize the SRF Bond, and, as such, there is no assurance that the SRF Bond will be re-amortized. In this regard, the District currently anticipates that approximately \$75,000,000 will be drawn, and, in such case, the annual debt service payments on the SRF Bond would be approximately \$4,460,671, as reflected in the table on the next page. Nothing herein shall act as a covenant on the part of the District to limit its draws on the SRF Bond; the District shall make draws on the SRF Bond in an amount necessary to complete the purpose of the SRF Bond. Actual debt service payments on the SRF Bond may differ, depending on the actual amount drawn. Interest on the SRF Bond is being capitalized through draws on the SRF Bond through and including April 15, 2026. Debt service amounts include a 1.00% servicing fee. See **SECURITY FOR THE BONDS** herein.

The total authorized draw amount of the SRF Bond is \$125,686,157 (as of August 8, 2025, \$48,898,947 has been drawn). At this time, the District does not anticipate that it will draw the full principal amount of the SRF Bond, and the District anticipates that it will re-amortize the SRF Bond based on the final amount drawn. Re-amortization requires consent of the State of Arkansas. While the District believes that such consent will be received, the District does not have the unilateral right to re-amortize the SRF Bond, and, as such, there is no assurance that the SRF Bond will be re-amortized. In this regard, the District currently anticipates that approximately \$75,000,000 will be drawn. Nothing herein shall act as a covenant on the part of the District to limit its draws on the SRF Bond; the District shall make draws on the SRF Bond in an amount necessary to complete the purpose of the SRF Bond. Actual debt service payments on the SRF Bond may differ, depending on the actual amount drawn. Interest on the SRF Bond is being capitalized through draws on the SRF Bond through and including April 15, 2026. Debt service amounts include a 1.00% servicing fee. See **SECURITY FOR THE BONDS** herein. Set forth below are the debt service requirements for the Series 2025 Bonds and the SRF Bond (**assuming that only \$75,000,000 is drawn**) during each fiscal year ending September 30:

| Fiscal Year (Ending September 30) | Series 2025 Bonds Debt Service | SRF Bond Debt Service | Total Debt Service |
|--------------------------------------|--------------------------------------|--------------------------|-----------------------|
| 2025 | - | - | - |
| 2026 | \$ 3,224,271.84 | - | \$ 3,224,271.84 |
| 2027 | 6,440,012.50 | \$4,460,671 | 10,900,683.50 |
| 2028 | 6,441,262.50 | 4,460,671 | 10,901,933.50 |
| 2029 | 6,438,262.50 | 4,460,671 | 10,898,933.50 |
| 2030 | 6,441,012.50 | 4,460,671 | 10,901,683.50 |
| 2031 | 6,439,012.50 | 4,460,671 | 10,899,683.50 |
| 2032 | 6,437,262.50 | 4,460,671 | 10,897,933.50 |
| 2033 | 6,440,512.50 | 4,460,671 | 10,901,183.50 |
| 2034 | 6,438,262.50 | 4,460,671 | 10,898,933.50 |
| 2035 | 6,440,512.50 | 4,460,671 | 10,901,183.50 |
| 2036 | 6,441,762.50 | 4,460,671 | 10,902,433.50 |
| 2037 | 6,437,762.50 | 4,460,671 | 10,898,433.50 |
| 2038 | 6,439,762.50 | 4,460,671 | 10,900,433.50 |
| 2039 | 6,442,362.50 | 4,460,671 | 10,903,033.50 |
| 2040 | 6,438,050.00 | 4,460,671 | 10,898,721.00 |
| 2041 | 6,438,637.50 | 4,460,671 | 10,899,308.50 |
| 2042 | 6,439,731.26 | 4,460,671 | 10,900,402.26 |
| 2043 | 6,440,556.26 | 4,460,671 | 10,901,227.26 |
| 2044 | 6,440,300.00 | 4,460,671 | 10,900,971.00 |
| 2045 | 6,438,112.50 | 4,460,671 | 10,898,783.50 |
| 2046 | 6,437,850.00 | 4,460,671 | 10,898,521.00 |
| 2047 | 6,439,068.76 | | 6,439,068.76 |
| 2048 | 6,440,781.26 | | 6,440,781.26 |
| 2049 | 6,442,500.00 | | 6,442,500.00 |
| 2050 | 6,438,737.50 | | 6,438,737.50 |
| 2051 | 6,439,250.00 | | 6,439,250.00 |
| 2052 | 6,442,000.00 | | 6,442,000.00 |
| 2053 | 6,442,000.00 | | 6,442,000.00 |
| 2054 | 6,438,750.00 | | 6,438,750.00 |
| 2055 | 6,441,750.00 | | 6,441,750.00 |
| TOTALS | \$189,980,109.38 | \$89,213,420 | \$279,193,529.38 |

ESTIMATED DEBT SERVICE COVERAGE

The following table shows the estimated net revenues available for debt service, the maximum or projected annual amount of debt service expected to be due on the Series 2025 Bonds and the SRF Bond and the extent to which debt service is estimated to be covered by such funds.

| | Audited Financials <u>09/30/2024</u> | Projected per Rate Increase <u>Effective 10/01/2024</u> | Projected per Rate Increase <u>Effective 10/01/2025</u> |
|---|---|---|---|
| Gross Revenues ⁽¹⁾ | \$46,140,710 | \$46,140,710 | \$46,140,710 |
| Less: Operation and Maintenance Expenses ⁽¹⁾ | (26,784,651) | (26,784,651) | (26,784,651) |
| Plus: Depreciation and Amortization ⁽¹⁾ | 5,711,434 | 5,711,434 | 5,711,434 |
| Plus: Estimated Revenues Increase | <u>N/A</u> | <u>3,630,193</u> ⁽²⁾ | <u>7,818,877</u> ⁽³⁾ |
| Funds Available for Debt Service ^(A) | \$25,067,493 | \$28,697,686 | \$32,886,370 |
| Maximum Annual Debt Service on the Series 2025 Bonds and the SRF Bond ^{(B)(4)} | 13,917,623 | 13,917,623 | 13,917,623 |
| Coverage ^(A/B) | 1.80X | 2.06X | 2.36X |
| Maximum Annual Debt Service on the Series 2025 Bonds and Projected Debt Service on the SRF Bond (assuming anticipated draws) ^{(C)(4)(5)} | 10,903,034 | 10,903,034 | 10,903,034 |
| Coverage ^{(A)(C)} | 2.30X | 2.63X | 3.02X |

⁽¹⁾ Based on audited financial statements of the District for the fiscal year ended September 30, 2024. See **FINANCIAL INFORMATION** herein and Appendix A attached hereto. Includes investment income of \$3,136,885, but excludes other non-operating revenues.

⁽²⁾ Effective October 1, 2024, the District increased water rates by \$0.13 per 1,000 gallons (from a prior rate of \$1.54 per 1,000 gallons to a rate of \$1.67 per 1,000 gallons) (see **THE DISTRICT, Memorandum of Understanding** herein). The amount of "Estimated Revenues Increase" is the amount of operating revenues that would have been realized by the District based upon total water usage during the fiscal year ended September 30, 2024 if the water rates during the entirety of the fiscal year ended September 30, 2024 had been \$1.67 per 1,000 gallons. Based on calculations by the District.

⁽³⁾ The District has enacted a \$0.15 per 1,000 gallons rate increase to be effective on October 1, 2025 (for a new rate of \$1.82 per 1,000 gallons, over the rate of \$1.67 per 1,000 gallons that was effective beginning October 1, 2024) (see **THE DISTRICT, Memorandum of Understanding** herein). The amount of "Estimated Revenues Increase" is the amount of operating revenues that would have been realized by the District based upon total water usage during the fiscal year ended September 30, 2024 if the water rates during the entirety of the fiscal year ended September 30, 2024 had been \$1.82 per 1,000 gallons. Based on calculations by the District.

⁽⁴⁾ See **DEBT SERVICE SCHEDULES** herein.

⁽⁵⁾ Assumes that the District will draw \$75,000,000 from the SRF Bond and re-amortize the SRF Bond based on the \$75,000,000 amount drawn, which is estimated to result in an annual debt service payment of approximately of \$4,460,671 rather than \$7,475,265. Re-amortization requires consent of the State of Arkansas. While the District believes that such consent will be received, the District does not have the unilateral right to re-amortize the SRF Bond, and, as such, there is no assurance that the SRF Bond will be re-amortized. Nothing herein shall act as a covenant on the part of the District to limit its draws on the SRF Bond; the District shall make draws on the SRF Bond in an amount necessary to complete the purpose of the SRF Bond. Actual debt service payments on the SRF Bond may differ, depending on the actual amount drawn. See **DEBT SERVICE SCHEDULES** herein.

THE PARTICIPATING CITIES

City of Bentonville, Arkansas.

Generally. The City of Bentonville is the county seat of Benton County, Arkansas, which is in northwest Arkansas. Bentonville is situated in the central part of the county, 217 miles northwest of Little Rock, Arkansas and 124 miles east of Tulsa, Oklahoma.

Population. Since 1980, the population trend for Bentonville is estimated to have been as follows:

| <u>Year</u> | <u>Population</u> |
|---------------------|-------------------|
| 1980 | 8,756 |
| 1990 | 11,257 |
| 2000 | 19,730 |
| 2010 | 35,301 |
| 2020 | 54,164 |
| 2023 ⁽¹⁾ | 59,471 |

⁽¹⁾ Estimate

Transportation. Bentonville is served by Interstate No. 49, U.S. Highway No. 71, and State Highway Nos. 102, 72, 12 and 112. Bentonville is served by Louise M. Thaden Field which offers charter service. The Northwest Arkansas Regional Airport, located in nearby Highfill, offers commercial service.

Approximately 25 motor freight carriers and the Arkansas Missouri Railroad service the Fayetteville metropolitan statistical area, which includes Bentonville.

Government. Bentonville has the Mayor-City Council form of government, under which the city is governed by a City Council and a Mayor. The Mayor and the members of the City Council serve four-year terms.

Education. Primary and secondary education for the inhabitants of Bentonville are provided by a public school system fully accredited by the North Central Association of Secondary Schools and Colleges. The University of Arkansas is located 26 miles away in Fayetteville and Northwest Arkansas Community College is located in the City.

Financial Institutions. The City is served by branches of Arvest Bank, Bank of America, N.A., Bank OZK, BOKF, National Association, Centennial Bank, Central Bank, The Farmers & Merchants Bank, First Horizon Bank, First National Bank, First National Bank of NWA, First Security Bank, First Western Bank, Generations Bank, Grand Savings Bank, Legacy National Bank, Regions Bank, Signature Bank of Arkansas, Simmons Bank, and United Bank.

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Economy. The following are the major employers within Bentonville:

| <u>Employer</u> | <u>Approximate Number of Employees</u> | <u>Product or Service</u> |
|--------------------------------------|--|---------------------------|
| Walmart, Inc. | 18,000+ | Retail |
| Mercy Health Systems of NWA | 2,800 | Health Care |
| Bentonville School District | 2,600+ | Education |
| Northwest Arkansas Community College | 920 | Education |
| City of Bentonville | 810 ⁽¹⁾ | Government |
| Northwest Arkansas Health Systems | 700 | Health Care |
| Benton County | 500 | Government |
| Arvest Bank Group | 192 | Financial Services |

Source: City of Bentonville

⁽¹⁾ Full and part time.

Bentonville Water Facilities. Bentonville purchases all of its water from the District. Bentonville has a contract to provide water to the community of Bella Vista, to the City of Cave Springs, Arkansas, and to the Oakhills Suburban Improvement District. The City currently has approximately 21,309 water customers consisting of 19,798 residential and 1,511 commercial customers. For 2024, Bella Vista and Cave Springs accounted for 11% and 5%, respectively, of Bentonville’s water usage; no other user accounted for more than 5% of Bentonville’s water usage for 2024.

City of Fayetteville, Arkansas.

Generally. The City of Fayetteville is the county seat of Washington County, Arkansas, which is in northwest Arkansas. Fayetteville is situated in the central part of the county, 200 miles northwest of Little Rock, Arkansas, and 115 miles east of Tulsa, Oklahoma.

Population. Since 1980, the population trend for Fayetteville is estimated to have been as follows:

| <u>Year</u> | <u>Population</u> |
|---------------------|-------------------|
| 1980 | 36,608 |
| 1990 | 42,099 |
| 2000 | 58,047 |
| 2010 | 73,580 |
| 2020 | 93,949 |
| 2023 ⁽¹⁾ | 101,680 |

⁽¹⁾ Estimate

Transportation. Fayetteville is served by U.S. Highway Nos. 71 and 62, State Highway Nos. 16, 45, 74, 112, 118, 180 and 265 and Interstate No. 49. Fayetteville is served by the Fayetteville Municipal Airport with a 8,800-foot runway. The Northwest Arkansas Regional Airport, located in nearby Highfill, offers commercial service.

Approximately 25 motor freight carriers and the Arkansas Missouri Railroad service the Fayetteville metropolitan statistical area.

Government. Fayetteville operates under the Mayor-City Council form of government, under which the City is governed by a City Council and a Mayor. The Mayor and the members of the City Council serve four-year terms.

Education. Primary and secondary education for the inhabitants of Fayetteville are provided by a public school system fully accredited by the North Central Association of Secondary Schools and Colleges. The University of Arkansas is located in the City.

Financial Institutions. The City is served by Arvest Bank, The Bank of Fayetteville, Priority Bank, and Signature Bank of Arkansas and by branches of Bank of America, N.A., Bank OZK, BOKF, National Association, Cadence Bank, Centennial Bank, Chambers Bank, The Citizens Bank, Encore Bank, First Horizon Bank, First National Bank, First National Bank of NWA, First Security Bank, First State Bank, Generations Bank, Grand Savings Bank, JPMorgan Chase Bank, National Association, Legacy National Bank, Regions Bank, Riverside Bank, Simmons Bank, Southern Bancorp Bank, Today's Bank, and United Bank.

Economy. The following are the major employers within Fayetteville:

| <u>Employer</u> | <u>Approximate Number of Employees</u> | <u>Product/Service</u> |
|---|--|------------------------|
| University of Arkansas | 7,000 | Education |
| Washington Regional Medical Center | 3,500 | Health care |
| Veteran's Administration Medical Center | 1,737 | Health care |
| Fayetteville School District | 1,550 | Education |
| Walmart, Inc. | 1,250 | Retail |
| City of Fayetteville | 849 | Government |
| Tyson's | 768 | Food products |
| Washington County, Arkansas | 662 | County Government |

Source: City of Fayetteville

Fayetteville Water and Sewer System. Fayetteville purchases all of its water from the District. Fayetteville has contracts to provide water on a wholesale basis to the Mt. Olive Rural Water System, the City of West Fork and the City of Elkins. The City has approximately 47,727 water customers consisting of approximately 43,820 residential customers, 3,885 commercial customers, and 22 industrial customers. No other user accounted for more than 5% of the City's water and sewer system's water usage in 2024.

City of Rogers, Arkansas.

Generally. The City of Rogers is located in Benton County, Arkansas, which is in northwest Arkansas. Rogers is situated in the central part of the county, 210 miles northwest of Little Rock, Arkansas, and 121 miles east of Tulsa, Oklahoma.

Population. Since 1980, the population trend for Rogers is estimated to have been as follows:

| <u>Year</u> | <u>Population</u> |
|---------------------|-------------------|
| 1980 | 18,086 |
| 1990 | 24,692 |
| 2000 | 38,829 |
| 2010 | 55,964 |
| 2020 | 69,908 |
| 2023 ⁽¹⁾ | 74,035 |

⁽¹⁾ Estimate

Transportation. Rogers is served by U.S. Highway Nos. 62, 71 and 412, and State Highway Nos. 12, 94, 102 and 112 and Interstate No. 49. Rogers is served by the Rogers Municipal Airport which offers charter service. The Northwest Arkansas Regional Airport, located in nearby Highfill, offers commercial service.

Approximately 25 motor freight carriers and the Arkansas Missouri Railroad service the Fayetteville metropolitan statistical area, which includes Rogers.

Government. Rogers has the Mayor-City Council form of government, under which the city is governed by a City Council and a Mayor. The Mayor and the members of the City Council serve four-year terms.

Education. Primary and secondary education for the inhabitants of Rogers are provided by a public school system fully accredited by the North Central Association of Secondary Schools and Colleges. The University of Arkansas is located 19 miles away in Fayetteville and Northwest Arkansas Community College is located nearby in Bentonville.

Financial Institutions. The City is served by Generations Bank and by branches of Armor Bank, Arvest Bank, Bank of America, N.A., Bank OZK, Cadence Bank, Centennial Bank, Chambers Bank, The Citizens Bank, Encore Bank, First Community Bank, First National Bank, First National Bank of NWA, First Security Bank, First Western Bank, Grand Savings Bank, INTRUST Bank, N.A., Legacy National Bank, Regions Bank, Signature Bank of Arkansas, Simmons Bank, and United Bank.

Economy. The following are the major employers within Rogers:

| <u>Employer</u> | <u>Approximate Number of Employees</u> | <u>Product/Service</u> |
|----------------------------|--|---------------------------------------|
| Northwest Health | 2,300 | Medical/Services |
| Rogers Public Schools | 2,200 | Education |
| Mercy Health System of NWA | 2,000 | Medical |
| Serco-NA | 1,600 | Back Office Operations |
| Tyson Chick-N-Quick Plant | 1,200 | Poultry and Food Products |
| Crossland Construction | 985 | General Contractor/Construction |
| Walmart Claims Center | 850 | Insurance Claims Administration |
| George's Inc. | 650 | Poultry Processing & Packaging |
| Glad Manufacturing | 600 | Glad Plastic Bags, Plastic Cling Wrap |
| Walmart Store #1 | 500 | Retail |
| Walmart Store #5260 | 500 | Retail |
| Southeast Poultry | 500 | Poultry Processing |

Source: Rogers-Lowell Area Chamber of Commerce

Rogers Water Department. Rogers purchases all of its water from the District. Rogers has a contract to provide water to the City of Lowell, Arkansas, the Benton County Water District #1 Public Water Authority of the State of Arkansas, and the Benton County Rural Development Authority. The City currently has approximately 37,351 water customers consisting of 34,037 residential, 3,267 commercial and 47 industrial customers. The only water user accounting for more than 5% of the City's Water System's usage in its 2024 fiscal year was Tyson Foods which accounted for 8.4%.

City of Springdale, Arkansas.

Generally. The City of Springdale is located in Washington County, Arkansas, which is in northwest Arkansas. Springdale is situated in the central part of the county, 200 miles northwest of Little Rock, Arkansas, and 109 miles east of Tulsa, Oklahoma.

Population. Since 1980, the population trend for Springdale is estimated to have been as follows:

| <u>Year</u> | <u>Population</u> |
|---------------------|-------------------|
| 1980 | 23,458 |
| 1990 | 29,941 |
| 2000 | 45,798 |
| 2010 | 69,797 |
| 2020 | 84,161 |
| 2023 ⁽¹⁾ | 89,368 |

⁽¹⁾ Estimate

Transportation. Springdale is served by U.S. Highway Nos. 62, 71 and 412, State Highway Nos. 264 and 265 and Interstate No. 49. Springdale is served by the Springdale Municipal Airport which offers charter service. The Northwest Arkansas Regional Airport, located in nearby Highfill, offers commercial service.

Approximately 25 motor freight carriers and the Arkansas Missouri Railroad service the Fayetteville metropolitan statistical area, which includes Springdale.

Government. Springdale has the Mayor-City Council form of government, under which the city is governed by a City Council and a Mayor. The Mayor and the members of the City Council serve four-year terms.

Education. Primary and secondary education for the inhabitants of Springdale are provided by a public school system fully accredited by the North Central Association of Secondary Schools and Colleges. The University of Arkansas is located seven miles away in Fayetteville and the Northwest Arkansas Community College is located 18 miles away in Bentonville.

Financial Institutions. The City is served by Legacy National Bank and United Bank and by branches of Arvest Bank, Bank of America, N.A., Bank of the Ozarks, Chambers Bank, First Federal Bank, First Security Bank, First State Bank, Iberiabank fsb, Liberty Bank of Arkansas, Metropolitan National Bank, Signature Bank of Arkansas, Simmons First Bank of Northwest Arkansas and Simmons First Trust Company, N.A.

Economy. The following are the major employers within Springdale:

| <u>Employer*</u> | <u>Approximate Number of Employees</u> | <u>Product/Service</u> |
|-------------------------|--|-------------------------------|
| Tyson Foods, Inc. | 6,600 | Poultry processing |
| George's Inc. | 3,100 | Poultry processing |
| Multi-Craft Contractors | 700 | Fabrication, machine building |
| Kawneer Company | 530 | Aluminum extrusion |
| Rockline Industries | 400 | Moist towelettes |
| Cram-A-Lot | 350 | Recycle equipment |
| Newly Weds Foods | 260 | Baking products |
| Rise Baking Co. | 240 | Baking products |
| Pratt & Whitney | 225 | Aerospace and defense |

* Cargill, Inc., which employed approximately 1,100 people, has announced plans to close its processing plant on August 1, 2025.

Source: City of Springdale

Springdale Water and Sewer Commission. Springdale purchases all of its water from the District. Springdale has contracts to provide water to the communities of Lowell, Johnson, Elm Springs, Cave Springs, Bethel Heights and Tontitown. The City currently has approximately 38,973 water customers consisting of 35,673 residential customers, 3,268 commercial customers, and 32 industrial customers. Water users accounting for more than 5% of the City’s water and sewer system’s usage in 2024 were Cargill, Inc., which accounted for 10.0% (Cargill Inc. has announced plans to close its processing plant on August 1, 2025), Tyson Foods, which accounted for 8.9%, and George’s Inc., which accounted for 8.0%.

County Economic Data. Bentonville (county seat) and Rogers are located in Benton County. Fayetteville (county seat) and Springdale are located in Washington County. Set forth below is certain economic data for both Benton and Washington Counties.

Per capita personal income estimates are as follows:⁽¹⁾

Per Capita Personal Income (dollars)

| <u>Year</u> | <u>Benton</u> | <u>Washington</u> |
|-------------|---------------|-------------------|
| 2019 | \$82,922 | \$40,471 |
| 2020 | 83,068 | 44,898 |
| 2021 | 102,736 | 49,529 |
| 2022 | 116,838 | 50,623 |
| 2023 | 123,114 | 51,797 |

Total Personal Income (dollars)

| <u>Year</u> | <u>Benton</u> | <u>Washington</u> |
|-------------|------------------|-------------------|
| 2019 | \$23,022,905,000 | \$9,821,318,000 |
| 2020 | 23,808,645,000 | 11,079,622,000 |
| 2021 | 30,234,965,000 | 12,469,886,000 |
| 2022 | 35,380,968,000 | 12,993,890,000 |
| 2023 | 38,290,146,000 | 13,547,450,000 |

⁽¹⁾ Source: Bureau of Economic Analysis, United States Department of Commerce.

Set forth below are the average unemployment rates since 2021, according to the Arkansas Division of Workforce Services

Average Unemployment Rate (percent)

| <u>Year</u> | <u>Benton</u> | <u>Washington</u> | <u>State</u> |
|-------------|---------------|-------------------|--------------|
| 2021 | 2.8 | 2.9 | 4.0 |
| 2022 | 2.4 | 2.3 | 3.0 |
| 2023 | 2.4 | 2.3 | 3.1 |
| 2024 | 2.6 | 2.4 | 3.5 |
| 2025 | 2.9* | 3.0* | 3.7* |

* As of March 2025.

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THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Series 2025 Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture copies of which are on file with the Trustee. For purposes of this caption, the term "Bonds" includes the Series 2025 Bonds offered hereby and any outstanding Additional Bonds.

Security for the Bonds. Under the Indenture, the District grants to the Trustee in order to secure the payment of the principal of, premium, if any, and interest on the Bonds, a lien on and security interest in the following:

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein situated in Benton and Washington Counties, Arkansas, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned or leased by the District or to be acquired or constructed as part of a project to be financed or refinanced by Bonds issued under the Indenture.

(b) All other properties of whatever nature now owned by the District or acquired, constructed or equipped as part of the Project and properties financed with Additional Bonds or Parity Obligations and not covered by the properties described in (a) above, including, without limitation, all assets, franchises, and rights, privileges, licenses, machinery, equipment, furnishings, and rights of way.

(c) All revenues and income received while any bonds issued under the Indenture are outstanding, including particularly, the income received by the District from the Participating Cities and all other persons, firms, associations, corporations or organizations of any nature.

(d) All moneys in the Bond Fund (hereinafter described), the Construction Fund and any other fund established pursuant to the Indenture that contains proceeds of the Bonds and all investments therein and earnings thereon.

(e) Replacement properties (as described in Section 803 of the Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the District or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Indenture.

Rate Covenant. Under the Indenture, the District covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the District which shall produce total revenues in each fiscal year sufficient to (1) pay the District's operation, repair and maintenance expenses, (2) making all required deposits to the Depreciation Fund, if any, and (3) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations. The District covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the District fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the District complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clauses (1) and (2) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

Funds. The following Funds are to be established or maintained under the Indenture.

Gross Receipts Fund. All revenues and income received by the District from any source whatsoever shall be paid upon receipt into a special fund designated "Gross Receipts Fund."

Operation and Maintenance Fund. Under the Indenture, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund," on or before the first business day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the District for such month, and, to the extent determined by the District, to pay costs of betterments and improvements to the properties of the District, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the District during the next succeeding four (4) months, such surplus may be transferred and deposited in the Gross Receipts Fund.

Bond Fund. (a) After the required deposit has been made in the Operation and Maintenance Fund, there shall be paid from the Gross Receipts Fund into the "2025 Bond Fund" (the "Bond Fund"), on or before the first business day of each month, an amount equal to the sum of:

(1) one-sixth (1/6) of the next installment of interest on the outstanding Bonds, plus an amount sufficient to provide for Trustee's and Paying Agent's fees and expenses (the required payments for the months after delivery, and before the first interest payment date, of any series of Bonds shall be adjusted if necessary, so that the deposits made and any accrued or capitalized interest from the sale of the Bonds will be sufficient to cover the interest due and Trustee's and Paying Agent's fees and expenses); plus

(2) one-twelfth (1/12) of the next installment of principal on the outstanding Bonds; provided, however, the monthly deposits under this paragraph for the months after delivery and before the first principal payment date, of any series of Bonds shall be adjusted if necessary so that the deposits made will be sufficient to cover the principal due. The additional deposits required in the event of the issuance of Additional Bonds need not commence until the time necessary to accumulate the first principal maturity of the Additional Bonds in twelve monthly installments.

(b) The District shall receive a credit against required monthly deposits into the Bond Fund in the amount of any balance remaining in the Bond Fund after the payments required by (a) above are provided for.

(c) If for any reason the funds in the Bond Fund shall at any time be insufficient to meet any required payment, then the amount of any such deficiency shall be paid immediately from the Gross Receipts Fund into the Bond Fund.

(d) When the moneys in the Bond Fund shall be and remain sufficient to pay the principal of and interest on all outstanding Bonds issued under the Indenture, and the Trustee's and Paying Agent's fees and expenses, there shall be no obligation to make any further payments into the Bond Fund.

(e) The moneys in the Bond Fund shall be used solely for the payment of the principal of the interest on the Bonds and the Trustee's and Paying Agent's fees and expenses and for no other purpose, except as provided in paragraph (b).

Depreciation Fund. The District has previously created a special fund designated "Depreciation Fund." The Depreciation Fund has been accumulated and is being maintained in the sum of not less than \$7,500,000. So long as that amount is maintained, nothing in the Indenture requires additional payments to be made into the Depreciation Fund. If the amount held for the credit of the Depreciation Fund is ever less than \$7,500,000, there shall be paid from the Gross Receipts Fund into the Depreciation Fund, on or before the first business day of each month, after making payments into the Operation and Maintenance Fund and the Bond Fund, after making payments with respect to debt service and servicing fees (if any) with respect to outstanding Parity Obligations, and after making payments with respect to debt service on any subordinate obligations issued in the future, an amount equal to 5% of the gross monthly revenues of the District, or so much thereof as necessary to restore the Depreciation Fund to the amount of \$7,500,000. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs, renewals or replacements to or for the District's water facilities.

Parity Obligation Payments. The Trustee and the District further acknowledge that Parity Obligations are outstanding and may be issued by the District in the future. If there are insufficient moneys in the Gross Receipts Fund to make the monthly payments into the Bond Fund and to make monthly installments with respect to outstanding Parity Obligations, the District shall make payments from the Gross Receipts Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Gross Receipts Fund Surplus. Any surplus remaining in the Gross Receipts Fund, on the first business day of each month, after making full provisions for the other funds described above, may be used for any lawful purpose. The monthly surplus shall be withdrawn and deposited in such fund or account as specified by the Board of Directors of the District.

Depositories of Funds. The Bond Fund, the Construction Fund, and the Rebate Fund shall be established and maintained in the Trustee. The Gross Receipts Fund, the Operation and Maintenance Fund, and the Depreciation Fund shall be established in such banks or trust companies that are from time to time designated by the District, provided each must be a member of the Federal Deposit Insurance Corporation.

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities (as hereinafter defined) or other securities authorized by State law to secure public deposits or invested as authorized by the Indenture.

Nonpresentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if there shall have been deposited with the Paying Agent for the purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, together with all interest unpaid and due thereon, to the date of maturity thereof, or to the date fixed for redemption thereof, as the case may be, for the benefit of the holder thereof, all liability of the District to the holder thereof for the payment of the principal thereof and interest thereon shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of the Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

Rebate Fund. The Rebate Fund shall be held in trust by the Trustee and, except as provided below, shall be held for the benefit of the United States of America. The Rebate Fund shall not be held for the benefit of the bondholders or the Trustee.

Determination and Payment of Rebate. The District shall, unless and until the District delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations pertaining thereto. The District shall rebate to the United States, not later than sixty (60) days after the end of the five-year period set forth in the Indenture, and not later than sixty (60) days after the end of each five-year period thereafter, an amount which ensures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of an issue of the Bonds, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto.

Upon receipt by the Trustee of a written request of the District certifying that certain amounts in the Rebate Fund are not subject to rebate and an opinion of Bond Counsel (hereinafter defined) to the effect that failure to rebate such amounts will not cause interest on the Bonds to become includable in gross income of the bondholders for federal income tax purposes under existing laws, regulations, rulings and decisions, the Trustee shall transfer any such amounts to the credit of the Bond Fund. Except as provided in the previous sentence, moneys in the Rebate Fund shall be applied solely to meet the District's rebate obligations.

Exemption from Rebate. Notwithstanding the foregoing, in the event the Trustee is furnished with a written opinion of Bond Counsel, to the effect that it is not necessary under existing laws, regulations, rulings and decisions to pay any portion of earnings on investments held under the Indenture or otherwise to the United States in order to assure the exclusion from gross income for federal income tax purposes of interest on the Bonds, all amounts at the time on deposit in the Rebate Fund shall be transferred as specified in such opinion.

Investment of Funds. Moneys held as part of the funds under the Indenture shall be invested in "Eligible Investments" pursuant to the terms of the Indenture.

(a) Moneys held for the credit of the Rebate Fund shall be invested and reinvested by the Trustee in Government Securities which shall mature not later than the date or dates on which the money held for the credit of the Rebate Fund will be required for the purposes intended.

(b) Moneys held for the credit the Construction Fund and the Bond Fund may be invested and reinvested, as directed by the District, in Eligible Investments which shall mature (except in the case of money market funds) not later than the date or dates on which the money held for the credit of the particular fund will be required for the purposes intended as determined by the District.

(c) Moneys held for the credit of any other fund under the Indenture may be invested and reinvested in any investment which is allowable by Arkansas law.

(d) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times a part of such fund and the interest accruing thereon and any profit realized from such investment, shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(e) "Eligible Investments," as used in Section 701 of the Indenture, include only:

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series); direct obligations of the United States Treasury which have been stripped by the Treasury itself, including CATS and TIGRS; the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and obligations issued by the following agencies which are backed by the full faith and credit of the United States: United States Export-Import Bank, including direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration, including certificates of beneficial ownership; Federal Financing Bank; General Services Administration, including participation certificates; U.S. Maritime Administration, including guaranteed Title XI financing; and U.S. Department of Housing and

Urban Development, including project notes, local authority bonds, new communities debentures, and U.S. public housing notes and bonds (collectively, "Government Securities");

(2) Direct obligations of an agency, instrumentality or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government;

(3) Money market funds comprised exclusively of Government Securities, investments described in (2) above, or other securities authorized by State law to secure public deposits;

(4) Time or demand deposits or certificates of deposit of banks, including the Trustee, that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities or other securities authorized by State law to secure public funds;

(5) Investment agreements, capital notes, deposits or banking arrangements with banks, trust companies or financial institutions (or holding companies thereof), provided that such obligations shall meet the requirements of all nationally recognized credit rating agencies currently rating the Bonds.

(6) (i) Obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the two highest long-term or short-term rating categories by S&P or Moody's, and are not private activity bonds under the Code; and (ii) United States Treasury-State and Local Government Series, demand deposit securities. If a bond rating agency other than S&P or Moody's is maintaining a rating on the bonds, ratings comparable to those described above shall be required for such obligations.

(7) Such other investments allowed from time to time by State law for public deposits.

(f) The Trustee shall determine the market value of all investments from funds held by it on the last days of March and September of each year and shall report the market value to the District.

Discharge of Lien. The Bonds shall be deemed to have been paid for purposes of the Indenture if there has been deposited with the Trustee in trust either (a) moneys in an amount, or noncallable Government Securities the principal of and interest on which will, together with any moneys held by the Trustee at the same time and available for such purpose pursuant to the Indenture, without further investment or reinvestment of either the principal amounts thereof or the interest earnings thereon, provide amounts which will be sufficient to pay when due the principal, interest, and premium, if any, to become due and payable on or prior to the respective redemption dates or maturity dates of such Bonds, and (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving of such notice.

Events of Default. Each of the following is an event of default under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond or any Parity Obligation;

(b) Default in the due and punctual payment of any moneys required to be paid into the Bond Fund or the Rebate Fund, and the continuation thereof for a period of thirty (30) days;

(c) Default in the due and punctual payment of the principal of any Bond or any Parity Obligation whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds, or in Parity Obligations or documents securing Parity

Obligations, and the continuance thereof for a period of sixty (60) days after written notice to the District by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds; or

(e) any other "event of default" as defined in a Parity Obligation or document securing a Parity Obligation.

The term "default" shall mean default by the District in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, in the Bonds, in any Parity Obligation or in any document securing a Parity Obligation exclusive of any period of grace required to constitute a default an "event of default" as hereinabove provided, or as provided in a Parity Obligation or a document securing a Parity Obligation.

Acceleration. Upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the District, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Remedies.

(a) **Right of Entry.** Upon the occurrence of any event of default, the District, upon demand of the Trustee, shall forthwith surrender to it the actual possession of all or any part of the mortgaged properties with the books, papers and accounts of the District pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the properties, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee, and all taxes, assessments and other charges prior to the lien of the Indenture and all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever all that is due upon such Bonds and installments of interest under the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the District, its successors or assigns.

While in possession of such property, the Trustee shall render annually to the registered owners a summarized statement of income and expenditures in connection therewith.

(b) **Other Remedies.** Upon the occurrence of an event of default, the Trustee may, as an alternative, proceed either after entry or without entry, to pursue any available remedy by suit at law or equity to enforce the payment of the principal of and interest on the Bonds then outstanding, including, without limitation, foreclosure and mandamus.

If an event of default shall have occurred, and if the Trustee shall have been requested so to do by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and shall have been indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

No remedy conferred upon or reserved to the Trustee (or to the bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default, whether by the Trustee or by the bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Bondholders' Right to Direct. The holders of a majority in aggregate principal amount of Bonds outstanding shall have the right, at any time, by any instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Appointment of Receiver. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the mortgaged property and of the tolls, rents, revenues, issues earnings, income, products and profits thereof, pending such proceedings with such powers as the court making such appointment shall confer.

Applications of Moneys. Available moneys shall be applied by the Trustee as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: to the payment of the interest on and the principal of the Bonds, and to the redemption of bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Limitation of Bondholder Rights. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, nor unless such default shall have become an event or default and the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy.

Waivers by Trustee. The Trustee may in its discretion waive any event of default under the Indenture and its consequences and rescind any declaration or maturity of principal, and shall do so upon the written request of the holders of fifty percent (50%) in principal amount of all Bonds outstanding (of all series but not necessarily of each series); provided, however, that there shall not be waived (a) any event of default in the payment of principal of any Bonds outstanding at the date of maturity specified therein or (b) any default in the payment of the interest or of deposits into the Bond Fund unless prior to the waiver or rescission all arrears of interest, with interest at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of Bond Fund payments, as the case may be, and all expenses of the Trustee shall have been paid or provided for and in case of any such waiver or rescission or in case any proceeding taken by the Trust on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the District and the bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Intercreditor Agreement. In connection with the issuance of the Series 2025 Bonds, the Trustee will enter into an Intercreditor Agreement dated the date of the Series 2025 Bonds (the "Intercreditor Agreement") with the District and the Arkansas Development Finance Authority, as owner of the SRF Bond. **SO LONG AS THE SRF BOND IS OUTSTANDING, THE INTERCREDITOR AGREEMENT WILL GOVERN THE EXERCISE OF ANY REMEDIES UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.** A copy of the Intercreditor Agreement is on file with the Trustee.

Supplemental Indentures Not Requiring Consent of Bondholders. The District and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee, in reliance on opinions of counsel and certifications of the District, to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Indenture which requires consent of specific Bondholders.

Supplemental Indentures Requiring Consent of Bondholders. The holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding (of all series but not necessarily each series) shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the District and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that no supplemental indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon the mortgaged properties or a pledge of the revenues

pledged to Bonds issued under the Indenture other than the lien and pledge created and authorized by the Indenture or which purports to be on a parity with the lien and pledge created by and authorized by the Indenture other than as authorized by the original indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

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THE CONTINUING DISCLOSURE AGREEMENT

Past Compliance. During the past five years, the District has been obligated to comply with a continuing disclosure agreement related to a bond issue that was redeemed on December 1, 2021. Such agreement required the District to file certain information with the Municipal Securities Rulemaking Board on EMMA within various time periods set forth in the agreement. For the previous five years, the District has complied, in all material respects, with its obligations under its continuing disclosure undertakings.

Continuing Disclosure Agreement. Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Generally. The District will enter into a Continuing Disclosure Agreement with respect to the Series 2025 Bonds.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the District and the Dissemination Agent (defined below) for the benefit of the Beneficial Owners of the Series 2025 Bonds and in order to assist the Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean an Annual Report provided by the District pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Series 2025 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Series 2025 Bond (including persons holding Series 2025 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Regions Bank, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the District and which has filed with the Dissemination Agent and the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2 12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports. (a) The District shall, or cause the Dissemination Agent to, not later than 180 days after the end of the District's fiscal year (presently September 30), commencing with the report after the end of the September 30, 2025 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the District. If the fiscal year of the District changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Trustee for the issue (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the District and the Dissemination Agent to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

Content of Annual Reports. Each of the District's Annual Reports shall contain or incorporate by reference the following:

1. Any amendment to or termination of the Memorandum of Understanding, and the then current charges to the Participating Cities for water.
2. The number of gallons of water sold by the District for the most recent fiscal year and the four (4) previous fiscal years.
3. The annual audit of the District prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States or applicable State law.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. Modifications to rights of security holders, if material.

8. Series 2025 Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the District.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the District shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Series 2025 Bonds pursuant to the terms of the Indenture.

Termination of Reporting Obligations. The District's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Series 2025 Bonds.

Dissemination Agents. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under a Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination

Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to a Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Amendment; Waiver. Notwithstanding any other provision of a Continuing Disclosure Agreement, the District and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Series 2025 Bonds, or the type of business conducted;

(b) The Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Series 2025 Bonds in the same manner as provided in the Indenture for the affected Series 2025 Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel in reliance upon certifications of the District, materially impair the interests of the Beneficial Owners of the Series 2025 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the District shall describe such amendment in the next Annual Report with respect to that issue, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the District shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the District or the Dissemination Agent (if the Trustee is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, the Underwriters, the Trustee, or any Beneficial Owner may (and the Trustee, at the request of the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2025 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement

in the event of any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Dissemination Agents and Rights of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the affected Series 2025 Bonds and shall create no rights in any other person or entity.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2025 Bonds, except in the event that use of the book-entry system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2025 Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the District make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2025 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2025 Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Series 2025 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The District and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2025 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2025 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2025 Bonds.

TAX MATTERS

Federal Law. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Series 2025 Bonds is exempt from all State income taxes and the Series 2025 Bonds are exempt from property taxation in the State.

Also, in the opinion of Bond Counsel, interest on the Series 2025 Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2025 Bonds and the District's water system. Failure to comply with certain of such requirements could cause the interest on the Series 2025 Bonds to be includable in gross income retroactive to the date of issuance of the Series 2025 Bonds. The District has covenanted to comply with all such requirements in the Indenture.

Prospective purchasers of the Series 2025 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2025 Bonds, (ii) interest on the Series 2025 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2025 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2025 Bonds.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Series 2025 Bonds.

As shown on the inside cover page of this Official Statement, certain of the Series 2025 Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each of accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue

discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the inside cover page of this Official Statement, certain of the Series 2025 Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Series 2025 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2025 Bonds from realizing the full current benefit of the tax status of such interest. It cannot be predicted whether or in what form any such proposals or clarifications might be enacted or approved or whether, if enacted or approved, it would apply to bonds issued before enactment or approval. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding any enacted, pending or proposed federal or state tax legislation, regulations, clarifications or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2025 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

State Law. Further, in the opinion of Bond Counsel, under existing laws, the Series 2025 Bonds and interest thereon are exempt from all Arkansas state, county and municipal income taxation, and the Series 2025 Bonds are exempt from property taxes in the State.

LEGALITY

Legal matters incident to the authorization and issuance of the Series 2025 Bonds are subject to the approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2025 Bonds or questioning or affecting the legality of the Series 2025 Bonds or the proceedings and authority under which the Series 2025 Bonds are to be issued, or questioning the right of the District to execute and deliver the Indenture or to issue the Series 2025 Bonds.

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the District or the Participating Cities in any way which could have material adverse effect on the District's financial affairs.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Series 2025 Bonds and the enforceability of the remedies available under the Indenture authorizing the Series 2025 Bonds may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture authorizing the Series 2025 Bonds resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

UNDERWRITING

Crews & Associates, Inc. and Stephens Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Series 2025 Bonds from the District at a purchase price of \$100,198,077.10 (principal amount less Underwriters' discount of \$851,445.00, plus net original issue premium of \$879,522.10). The Underwriters are committed to purchase all of the Series 2025 Bonds if any are purchased.

The Series 2025 Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' business activities. The Underwriters may offer and sell the Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 Bonds into investment accounts) and others at prices lower than the offering price stated on the inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

The Underwriters retain the right to conduct related and/or unrelated business with the District and its agents, to include the purchase of securities for the purpose of accomplishing the purposes for which the Series 2025 Bonds are being issued.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Services, LLC ("S&P"), will assign its municipal bond rating of "AA+" (stable outlook) to the Series 2025 Bonds. Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such rating, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Series 2025 Bonds by S&P may have an adverse effect on the market price of the Series 2025 Bonds. The Underwriters and the District have undertaken no responsibility after issuance of the Series 2025 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by the District concerning anticipated results. No representations or warranties are made by the District as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of the District. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate, " "believe, " "estimate, " "project, " "predict, " "expect, " "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although the District believes that the expectations reflected in such forward-looking statements are reasonable, the District cannot give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and the District undertakes no obligations to update such statements in light of new information, future events or otherwise.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2025 Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the District has been authorized by the District.

BEAVER WATER DISTRICT OF BENTON AND
WASHINGTON COUNTIES, ARKANSAS

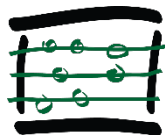
By: /s/ Bill Watkins
President

APPENDIX A

Audited Financial Statements of the District for the
Fiscal Years Ended September 30, 2024 and 2023

Beaver Water District of Washington and Benton Counties

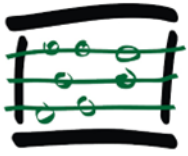
Independent Auditors' Report
with
Financial Statements
and
Supplemental Information
For the Years Ended September 30, 2024 and 2023



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

Beaver Water District of
Washington and Benton Counties
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September 30, 2024 and 2023

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Beaver Water District of Washington and Benton Counties (the District) as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Beaver Water District of Washington and Benton Counties, as of September 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2024, on our consideration of Beaver Water District of Washington and Benton Counties' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaver Water District of Washington and Benton Counties' internal control over financial reporting and compliance.

Abacus CPAs, LLC

Springfield, Missouri
December 15, 2024

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2024 and 2023**

The following is a discussion and analysis of Beaver Water District of Washington and Benton Counties (Beaver Water District) financial performance for the years ending September 30, 2024, and 2023. This analysis, in conjunction with the District's financial statements and notes to financial statements, provides a complete analysis of those statements.

FINANCIAL HIGHLIGHTS

FY 2023 to FY 2024

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

FY 2022 to FY 2023

- The District's Total Net Position increased by \$12.9 million or 6.5%.
- Operating Revenues increased by \$3.7 million or 10.9%.
- Operating Expenses, before depreciation, increased \$2.2 million or 12.3%.
- Operating Income totaled \$11,430,781 in FY 2023.
- Property, Plant and Equipment, net of depreciation, increased \$2.4 million or 2.2%.
- Related to debt on the Western Corridor Pipeline, long-term debt increased by \$3.6 million or 193.7%.

DISTRICT HIGHLIGHTS

FY 2023 to FY 2024

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

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2024 and 2023**

FY 2022 to FY 2023

- The District's Long-Term Financial Plan was updated in May 2023 and the District's Board determined an 8 cent (5.5%) rate increase would be adopted for fiscal year 2024, beginning October 1, 2023. The updated rate for FY 2024 is \$1.54 per thousand gallons sold.
- The District was awarded a Drinking Water Revolving Loan by the Arkansas Natural Resources Commission in the amount of \$125,686,157. That application was approved for the purpose of funding the Western Corridor Pipeline Expansion Project. As of September 30, 2023, the accumulated expenses on the pipeline project totaled \$3,671,716.
- Water sales increased by 1.7 billion gallons year over year, an increase of 7.2%, setting a new sales record for the District. Sales were higher to three customer cities, including a 3.2% increase to Fayetteville, a 10.0% increase to Springdale and a 17.2% increase to the City of Bentonville.
- Acquisition of easements and property for the Western Corridor facilities continued.

REQUIRED FINANCIAL STATEMENTS

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

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

The Statement of Revenues, Expenses and Changes in Net Position provides information on the District's revenues and expenses for the fiscal years ending September 30, 2024 and 2023. This statement can determine whether the District recovered all costs and expenses, primarily through water sales to its customers, and the financial standing and credit worthiness of the District.

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

ASSETS

Total Assets increased by a net of \$45.1 million (20.5%) during the Fiscal Year ended September 30, 2024. This increase is primarily comprised of an increase in Current Assets of \$3.5 million, combined with an increase of \$39.1 million in Property, Plant, and Equipment, related to acquisition of land for the western corridor pipeline and construction of the pipeline and pump station.

The increase in Current Assets was primarily the result of funding capital reserves for future capital costs and investment of those funds in cash, cash equivalents and long-term investments with maturities longer than one year.

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2024 and 2023**

Capital reserves are necessary to ensure the District has the capacity to meet the cost of meeting future demands for water, replacing aging assets, and providing sufficient cash reserves to fund operating and capital costs to comply with state and federal regulations.

LIABILITIES

Total Liabilities increased \$23.7 million or 266.2% related to the application to the Arkansas Natural Resources Commission (ANRC) for a Drinking Water State Revolving Fund (SRF) Loan in the amount of \$125,686,157. That application was subsequently approved for the purpose of funding the Western Corridor Pipeline Expansion Project.

The District held a 'AA+' bond rating from Standard and Poor's rating service when the Series 2010 Bonds were issued. To obtain the ANRC State Revolving Loan, the District was required to set aside a depreciation reserve equal to 5% of annual revenues. As of September 30, 2024, the District's Depreciation Fund had a balance of \$2,134,226.

REVENUES

Operating Revenues, which consist primarily of water sales to the District's customer cities of Fayetteville, Springdale, Rogers, and Bentonville, Arkansas, increased by \$5.4 million or 14.4%. Non-operating Revenues increased by approximately \$3.8 million. This category is comprised of investment income, net increase or decrease in fair market value of investments, and miscellaneous income. Investment income on the District's short and long-term investments increased by \$2,299,751 due to increasing rates of return experienced during FY 2024. Unrealized gains on investments also increased by \$1,575,558 related to improved market values of the underlying investments.

EXPENSES

Total Operating Expenses, before depreciation, increased by \$534.7 thousand or 2.6%, reflecting the increase in the major categories of chemicals and personnel, offset by savings in power generation costs and solids handling expenses. A few categories warrant analysis and discussion, as follows:

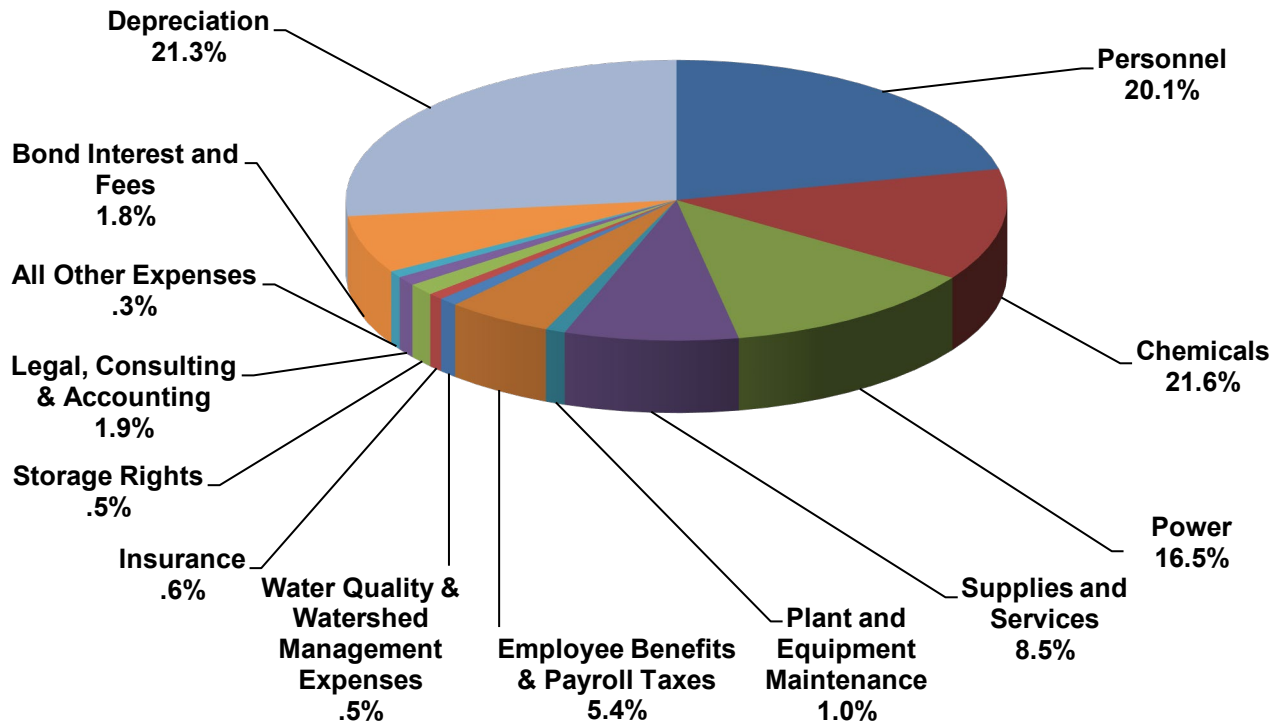
Chemical costs increased a marginal amount of \$285 thousand, or only 5.2%, in spite of the District producing 8.4% more water, which reflected price savings and some reduced feed rates. Primary chemicals that experienced price and/or percentage increases included alum at \$240 thousand (18.2%), lime at \$53 thousand (18.3%) and ferrous sulfate at \$62 thousand (8.9%). We experienced savings in price and feed rates in caustic soda, (down \$79 thousand or 6.6%) and fluoride, (down \$59 thousand or 14.0%). The Environmental Protection Agency (EPA) promulgated new rules under authority contained in the Safe Drinking Water Act related to disinfection by-products, which are compounds created when organic matter contained in the raw source water reacts with the disinfectant (normally chlorine) used to kill bacteria. Ferrous sulfate quenches chlorite, a disinfection by-product resulting from the use of chlorine dioxide as a pre-oxidant. Feeding chlorine dioxide as an alternative pre-oxidant reduces the formation of disinfection by-products in the finished water, which will assist the District, and its customer cities, in meeting the Stage II Disinfection By-Products Rule.

Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2024 and 2023

In FY 2024 power costs decreased by \$105 thousand (.23%), in spite of the District producing 8.4% more water. Kilowatt hour savings were due to multiple drops in natural gas prices experienced by Carroll Electric Cooperative Corporation (CECC).

The following chart gives a visual illustration of each expense category as a percentage of the District's total expenses. This chart shows that depreciation, personnel costs, power, chemicals, and supplies and services are the largest expense items, which account for 88% of the District's total expenses.

Total Expenses



RESERVE FUNDING

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

**Beaver Water District of
Washington and Benton Counties
Management's Discussion and Analysis
For the Years Ended September 30, 2024 and 2023**

LONG-TERM DEBT

On February 16, 2023, the District entered into a bond purchase agreement with the Arkansas Natural Resources Commission and the Arkansas Development Finance Authority for the purpose of obtaining funding for the construction of the Western Corridor Treated Water Pipeline Project. This project includes the acquisition, construction, equipping and installation of a 60" pipeline to transmit treated water to the future pump station which will serve as an additional connection point for the District's customer cities. The Bond shall bear interest at the rate of 0.75% per annum with an additional 1.0% service fee payable on each April 15th and October 15th after the bond is issued. The first principal payment shall be payable on October 15, 2026, and installments will be payable each April 15th and October 15th thereafter until the final payment is made on April 15, 2046.

LONG RANGE FINANCIAL PLAN & RATES

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

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

ADDITIONAL FINANCIAL INFORMATION

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

Beaver Water District of Washington and Benton Counties
Statements of Net Position
September 30, 2024 and 2023

| Assets | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 70,616,176 | \$ 45,785,552 |
| Cash and cash equivalents - restricted | 3,201,339 | 3,247,340 |
| Investments | 31,407,030 | 50,382,702 |
| Investments - restricted | 2,173,930 | 4,960,632 |
| Accounts receivable | 4,231,632 | 3,700,482 |
| Accrued interest receivable | - | 42,466 |
| Accrued interest receivable - restricted | - | 10,413 |
| Prepaid expenses | 236,448 | 189,170 |
| Inventory | 19,558 | 19,558 |
| Other current assets | 1,050 | 520 |
| Total Current Assets | 111,887,163 | 108,338,835 |
| Non-Current Assets | | |
| Investments | 499,365 | - |
| Investments - restricted | 1,002,375 | - |
| Capital assets, net of accumulated depreciation | 151,189,286 | 112,124,888 |
| Total Non-Current Assets | 152,691,026 | 112,124,888 |
| Right of Use Asset | 966,770 | - |
| Total Assets | \$ 265,544,959 | \$ 220,463,723 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 2,005,370 | \$ 2,889,366 |
| Accrued expenses | 573,200 | 480,554 |
| Accrued interest payable | 160,523 | - |
| Current portion of long-term debt | 78,067 | 76,016 |
| Current portion of long-term lease liability | 38,744 | - |
| Total Current Liabilities | 2,855,904 | 3,445,936 |
| Long-Term Debt, Net of Current Portion | 28,791,861 | 5,448,977 |
| Long-Term Lease Liability, Net of Current Portion | 928,027 | - |
| Total Liabilities | 32,575,792 | 8,894,913 |
| Net Position | | |
| Invested in capital assets, net of related debt | 122,319,357 | 106,599,895 |
| Restricted | 6,377,644 | 8,218,385 |
| Unrestricted | 104,272,166 | 96,750,530 |
| Total Net Position | 232,969,167 | 211,568,810 |
| Total Liabilities and Net Position | \$ 265,544,959 | \$ 220,463,723 |

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2024 and 2023

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Operating Revenues | | |
| Water sales | \$ 43,003,825 | \$ 37,600,002 |
| Total Operating Revenue | 43,003,825 | 37,600,002 |
| Operating Expenses | | |
| Personnel | 5,377,454 | 4,971,447 |
| Chemicals | 5,782,154 | 5,494,863 |
| Power | 4,425,226 | 4,530,029 |
| Supplies and services | 2,290,043 | 2,643,359 |
| Plant, equipment and vehicle maintenance | 265,076 | 200,071 |
| Employee benefits | 1,056,614 | 1,026,142 |
| Payroll taxes | 401,609 | 512,584 |
| Water quality and watershed management | 137,680 | 130,248 |
| Insurance | 169,686 | 276,542 |
| Telephone and telemarketing | 51,902 | 39,783 |
| Association dues and fees | 51,100 | 71,076 |
| Travel and training | 339,101 | 282,191 |
| Storage rights | 142,970 | 148,423 |
| Directors fees and management | 25,876 | 8,512 |
| Legal, consulting, and accounting | 509,226 | 203,238 |
| Depreciation and amortization | 5,711,434 | 5,630,713 |
| Rent or lease | 47,500 | - |
| Total Operating Expenses | 26,784,651 | 26,169,221 |
| Operating Income | 16,219,174 | 11,430,781 |
| Other Income (Expense) | | |
| Investment income | 3,136,885 | 837,134 |
| Unrealized gain | 2,225,581 | 650,023 |
| Interest expense and related fees | (210,592) | (52,067) |
| Investment expense | (696) | (620) |
| Miscellaneous income | 30,005 | 40,001 |
| Total Other Income | 5,181,183 | 1,474,471 |
| Increase in Net Position | 21,400,357 | 12,905,252 |
| Net Position, Beginning of Year | 211,568,810 | 198,663,558 |
| Net Position, End of Year | \$ 232,969,167 | \$ 211,568,810 |

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 42,472,145 | \$ 37,274,532 |
| Cash paid for: | | |
| Payroll and related expenses | (6,582,509) | (6,424,603) |
| Goods and services | (14,978,344) | (11,775,217) |
| Water storage expense | (142,970) | (148,423) |
| Rent or lease expense | (47,500) | - |
| Net Cash Provided by Operating Activities | 20,720,822 | 18,926,289 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from long-term debt | 23,450,952 | 3,639,902 |
| Principal payments on long-term debt | (106,016) | (44,018) |
| Interest paid on long-term debt | (50,069) | (45,293) |
| Purchases of capital assets | (43,752,728) | (8,043,030) |
| Net Cash (Used in) Capital and Related Financing Activities | (20,457,861) | (4,492,439) |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (31,810,407) | (10,751,011) |
| Proceeds from sale of investments | 53,142,305 | 11,558,511 |
| Investment income | 3,189,764 | 804,739 |
| Net Cash Provided by Investing Activities | 24,521,662 | 1,612,239 |
| Net Increase in Cash and Cash Equivalents | 24,784,623 | 16,046,089 |
| Cash and Cash Equivalents, Beginning of Year | 49,032,892 | 32,986,803 |
| Cash and Cash Equivalents, End of Year | \$ 73,817,515 | \$ 49,032,892 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ 16,219,174 | \$ 11,430,781 |
| Depreciation and amortization | 5,711,434 | 5,630,713 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (531,150) | (325,185) |
| Prepaid expenses | (47,278) | 121,511 |
| Other current assets | (530) | (284) |
| Right of use asset | (38,614) | - |
| Accounts payable | (883,996) | 1,983,184 |
| Accrued expenses | 253,168 | 85,569 |
| Lease liabilities | 38,614 | - |
| Net Cash Provided by Operating Activities | \$ 20,720,822 | \$ 18,926,289 |
| Supplemental Information | | |
| Cash paid for interest | \$ 50,069 | \$ 45,293 |

See notes to the financial statements.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies

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

Organization and Reporting Entity

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

Basis of Accounting and Measurement Focus

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

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charged to customers for water sales. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budget Comparison

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

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

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Comparative Data

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

Restricted Assets

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

Cash Equivalents

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

Investments

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

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

Fair Value Measurements

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

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Accounts Receivable

Water usage is billed to the member cities in monthly cycles. Accounts receivable represents water usage billed but not yet collected and totals \$4,231,632 and \$3,700,482, as of September 30, 2024 and 2023, respectively. The District provides for bad debts based on the allowance method using historical experience and management's analysis of accounts. No allowance for doubtful accounts has been established, as all receivables are considered collectible.

Inventories

Inventory consists of replacement parts and crucial repair items. Inventory is carried at cost, using the lower of average cost (first in, first out) and net realizable value.

Property and Equipment

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

Net Position Classifications

Net Position is classified and presented as follows:

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

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

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

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

1. Summary of Significant Accounting Policies - (continued)

Leases

The District adopted GASB No. 87, Leases, using the modified retrospective approach with October 1, 2021 as the date of initial adoption. The District elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the District to carry forward the historical lease classification. In addition, the District elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

At times, the District leases certain equipment. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets, as of September 30, 2024 and 2023 the District did not have any finance leases.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The District uses the implicit rate when it is readily determinable, or the risk free rate. Since most of the District's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the District's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The District's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option, generally not longer than 5 years.

Adoption of New Accounting Standards

SBITA

The District adopted GASB No. 96, Subscription-Based Information Technology Arrangements, using the prospective approach with October 1, 2023 as the date of initial adoption. The District elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the District to recognize right of use assets, subscription liability, and related amortization and expenses related to subscription agreements. In addition, the District has not restated comparative information for prior periods, as the guidance requires prospective application.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

2. Deposits and Investments

The aggregate carrying amount of investments as of September 30, 2024 and 2023, by major type is presented at fair value based on quoted prices in active markets (all Level 1 measurements) as follows:

September 30, 2024:

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

September 30, 2023:

| | Fair Value | Maturities in Years | | |
|--------------------------|----------------------|----------------------|-------------|-------------|
| | | Less Than 1 | 1-5 | Over 5 |
| Fixed income investments | \$ 5,558,179 | \$ 5,558,179 | \$ - | \$ - |
| Certificates of deposit | 5,000,000 | 5,000,000 | - | - |
| Corporate bonds | 2,060,684 | 2,060,684 | - | - |
| Municipal bonds | 2,880,431 | 2,880,431 | - | - |
| U.S. agency obligations | 39,844,040 | 39,844,040 | - | - |
| | \$ 55,343,334 | \$ 55,343,334 | \$ - | \$ - |

For the securities held as investments, fair value equals quoted market prices. The investments held by the District are subject to market risk. Accordingly, the estimates presented herein are not necessarily indicative of amounts that the District could realize in a current market exchange. Investments in bonds are held through bond markets and can be traded at any time, the underlying bonds have maturities ranging from 2024 - 2048.

3. Restricted Assets

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

| | 2024 | 2023 |
|-------------------------------------|---------------------|---------------------|
| Cash and cash equivalents - current | \$ 3,201,339 | \$ 3,247,340 |
| Investments - current | 2,173,930 | 4,960,632 |
| Investments - non-current | 1,002,375 | - |
| Accrued interest receivable | - | 10,413 |
| Total Restricted Reserves | \$ 6,377,644 | \$ 8,218,385 |

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

3. Restricted Assets - (continued)

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

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Depreciation fund | \$ 2,134,226 | \$ 2,040,173 |
| Storage water protection fund | 1,699,148 | 2,002,833 |
| Storage space fund | 1,477,157 | 2,957,799 |
| Contingency fund | 1,067,113 | - |
| Construction fund | - | 1,207,167 |
| Source water protection fund - accrued interest receivable | - | 10,413 |
| Total Restricted Reserves | \$ 6,377,644 | \$ 8,218,385 |

4. Custodial Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Arkansas Law requires banks and savings and loan institutions to pledge collateral for balances in excess of the FDIC limit. The District's deposits were fully collateralized at September 30, 2024 and 2023.

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

5. Property and Equipment

| | 2023 | Additions/ Transfers | Disposals/ Transfers | 2024 |
|-------------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Land and land rights | \$ 10,438,020 | \$ 1,942,122 | \$ - | \$ 12,380,142 |
| Construction in progress | 10,940,033 | 44,775,831 | (8,631,562) | 47,084,302 |
| Intake structures | 67,932,521 | 796,407 | (427,763) | 68,301,165 |
| Water treatment plant | 84,562,774 | 5,252,807 | - | 89,815,581 |
| Power and generating equipment | 26,512,183 | 209,902 | (70,400) | 26,651,685 |
| Communications instrumentation | 7,562,101 | 259,201 | (503,200) | 7,318,102 |
| Office and other equipment | 1,578,249 | 94,004 | - | 1,672,253 |
| Plant equipment | 2,578,608 | 77,119 | (21,739) | 2,633,988 |
| Total property and equipment | \$ 212,104,489 | \$ 53,407,393 | \$ (9,654,664) | \$ 255,857,218 |
| Accumulated depreciation | (99,979,601) | (5,711,434) | 1,023,103 | (104,667,932) |
| Net property and equipment | \$ 112,124,888 | \$ 47,695,959 | \$ (8,631,561) | \$ 151,189,286 |

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

5. Property and Equipment - (continued)

| | <u>2022</u> | <u>Additions/ Transfers</u> | <u>Disposals/ Transfers</u> | <u>2023</u> |
|-------------------------------------|-----------------------|---------------------------------|---------------------------------|-----------------------|
| Land and land rights | \$ 10,438,020 | \$ - | \$ - | \$ 10,438,020 |
| Construction in progress | 3,901,739 | 8,109,478 | (1,071,184) | 10,940,033 |
| Intake structures | 67,821,855 | 120,783 | (10,117) | 67,932,521 |
| Water treatment plant | 84,398,741 | 169,157 | (5,124) | 84,562,774 |
| Power and generating equipment | 26,172,898 | 344,285 | (5,000) | 26,512,183 |
| Communications instrumentation | 7,238,277 | 327,803 | (3,979) | 7,562,101 |
| Office and other equipment | 1,561,286 | 24,810 | (7,847) | 1,578,249 |
| Plant equipment | 2,528,644 | 51,123 | (1,159) | 2,578,608 |
| Total property and equipment | 204,061,460 | 9,147,439 | (1,104,410) | 212,104,489 |
| Accumulated Depreciation | (94,382,112) | (5,630,713) | 33,224 | (99,979,601) |
| Net property and equipment | \$ 109,679,348 | \$ 3,516,726 | \$ (1,071,186) | \$ 112,124,888 |

Depreciation expense for the years ended September 30, 2024 and 2023 was \$5,711,434 and \$5,630,713, respectively.

6. Long-Term Debt

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

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

| | <u>2023</u> | <u>Additions</u> | <u>Payments</u> | <u>2024</u> |
|--|---------------------|----------------------|---------------------|----------------------|
| Water rights obligation, issued 1993, secured by all assets and revenue. | \$ 1,885,091 | - | \$ (106,016) | \$ 1,779,075 |
| State Revolving Fund, Bonds Payable 2023 Series Revenue Bond, of up to \$125,686,157, with an interest rate .75%, principal payments to begin in October 2026, secured by revenue. | 3,639,902 | 23,450,951 | - | 27,090,853 |
| Total | \$ 5,524,993 | \$ 23,450,951 | \$ (106,016) | \$ 28,869,928 |
| Less: Current Portion | (76,016) | | | (78,067) |
| Total Long-Term Debt | \$ 5,448,977 | | | \$ 28,791,861 |

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

6. Long-Term Debt - (continued)

The future maturities as of September 30, 2024 are:

| <u>Year</u> | <u>Principal</u> |
|--------------|----------------------|
| 2025 | \$ 78,067 |
| 2026 | 2,718,051 |
| 2027 | 5,427,538 |
| 2028 | 5,523,709 |
| 2029 | 5,621,593 |
| 2030-2042 | 9,500,970 |
| Total | \$ 28,869,928 |

Interest expense and related fees during the years ended September 30, 2024 and 2023 totaled \$210,592 and \$52,067, respectively.

7. Water Sales

The District has contracts with the cities of Fayetteville, Springdale, Rogers and Bentonville whereby the cities agree to buy water. Water sales were as follows for the years ended September 30, 2024 and 2023.

| | <u>2024</u> | | <u>2023</u> | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| | <u>(GA in 000's)</u> | <u>Amount</u> | <u>(GA in 000's)</u> | <u>Amount</u> |
| Fayetteville | \$ 8,765,040 | \$ 13,498,162 | \$ 7,912,500 | \$ 11,552,250 |
| Springdale | 7,936,545 | 12,222,279 | 7,602,419 | 11,099,532 |
| Rogers | 3,907,919 | 6,018,195 | 3,723,969 | 5,436,995 |
| Bentonville | 7,315,058 | 11,265,189 | 6,514,538 | 9,511,225 |
| Total | \$ 27,924,562 | \$ 43,003,825 | \$ 25,753,426 | \$ 37,600,002 |

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

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

8. Retirement Plan

The District provides employees with retirement benefits through a 401(a) plan and a 457(b) plan. All regular employees over the age of 18 are eligible to participate starting at the nearest quarter after eligibility is met. The District matches the employees' contribution the employee's contribution. Employees are vested 100% in the District's contributions at the beginning of the quarter following the quarter they begin employment.

Prior to the fiscal year ended September 30, 2024, the District sponsored an Employment Retirement Income Security Act of 1974 (ERISA) Section 404(c) plan. Employees with one year of service were eligible to participate. The District contributed up to 200% of the employee's contribution up to a maximum of 3% of compensation for the employee's contribution. Employees were vested 100% in the District's contributions at the beginning of the quarter following the quarter they begin employment.

The District's plan contributions for the years ended September 2024 and 2023 were \$289,960 and \$274,559, respectively.

9. Commitments and Contingencies

Water Storage Expense

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

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

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

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

9. Commitments and Contingencies - (continued)

Water Storage Expense - (continued)

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

The costs to the District for water storage under this contract were \$269,508 and \$274,508, for the years ended September 30, 2024 and 2023, respectively. The District’s commitment under the contract for the storage is \$126,085 per year through the year 2042. The commitment does not include the annual O&M expense since this amount is calculated on an annual basis. The O&M is subject to change in future years as it is based on actual operating costs.

Future water right payments are scheduled as follows:

| <u>September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 78,067 | \$ 48,018 | \$ 126,085 |
| 2025 | 80,175 | 45,910 | 126,085 |
| 2026 | 82,339 | 43,746 | 126,085 |
| 2027 | 84,561 | 41,524 | 126,085 |
| 2029 | 86,843 | 39,242 | 126,085 |
| 2030-2042 | 1,367,090 | 272,014 | 1,639,104 |
| Total | \$ 1,779,075 | \$ 490,454 | \$ 2,269,529 |

Loss Contingencies

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

The District was not reimbursed from insurance, therefore this incident resulted in a net loss of \$134,000. This loss has been reflected in the financial statements as part of operating expenses in legal, consulting, and accounting fees.

Beaver Water District of Washington and Benton Counties
Notes to Financial Statements
For the Years Ended September 30, 2024 and 2023

10. Leases

During the fiscal year ended September 30, 2024, the entered into a lease agreement for land. The lease arrangement requires annual payments of \$42,000 to be made for a term of 25 years.

Annual requirements to amortize long-term obligations and related interest are as follows:

| <u>September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|-------------------|------------------|---------------------|
| 2025 | \$ 38,744 | \$ 3,256 | \$ 42,000 |
| 2025 | 38,874 | 3,126 | 42,000 |
| 2026 | 39,005 | 2,995 | 42,000 |
| 2027 | 39,136 | 2,864 | 42,000 |
| 2029 | 39,268 | 2,732 | 42,000 |
| 2030-2034 | 198,334 | 11,666 | 210,000 |
| 2035-2039 | 201,698 | 8,302 | 210,000 |
| 2040-2044 | 205,117 | 4,883 | 210,000 |
| 2044-2048 | 166,594 | 1,406 | 168,000 |
| Total | \$ 966,770 | \$ 41,230 | \$ 1,008,000 |

11. Risk Management

The District is exposed to various risks of loss from tort, theft of, damage to and destruction of assets, business interruption, errors and omissions, natural disasters, employee injuries and illnesses, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental benefits and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three proceeding years and there were no reductions in the District's insurance coverage during the years ended September 2024 and 2023.

12. Concentrations

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

13. Agreement with Member Cities

Under the District's agreement with member cities, the District may have adjustments to the cities. Adjustments are potential refunds of amounts paid by the cities during the fiscal year. These adjustments are made in accordance with the 1967 Memorandum of Understanding and policies adopted by the Board of Directors. For the years ending September 2024 and 2023, the District had no adjustments.

14. Subsequent Events

Management has evaluated subsequent events through December 15, 2024 the date on which the financial statements were available to be issued.

Supplemental Information

Beaver Water District of Washington and Benton Counties
Schedules of Unrestricted Cash and Investments
September 30, 2024 and 2023

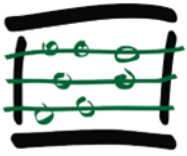
| | 2024 | 2023 |
|---|-----------------------|----------------------|
| Current Assets | | |
| Operations and Maintenance Fund | | |
| Cash and cash equivalents | \$ 4,852,460 | \$ 1,879,891 |
| Investments | 1,137,545 | 2,295,068 |
| Total Operations and Maintenance Fund | 5,990,005 | 4,174,959 |
| Gross Receipts Fund | | |
| Cash and cash equivalents | 10,569 | 1,555,491 |
| Revenue Fund | | |
| Cash and cash equivalents | 987,188 | 1,042,554 |
| Replacement and Refurbishment Fund | | |
| Cash and cash equivalents | 19,666,941 | 13,174,351 |
| Investments | 13,697,604 | 20,797,966 |
| Total Replacement and Refurbishment Fund | 33,364,545 | 33,972,317 |
| Storage Space Fund | | |
| Cash and cash equivalents | 2,740,105 | 1,040,265 |
| Total Storage Space Fund | 2,740,105 | 1,040,265 |
| Contingency Fund | | |
| Cash and cash equivalents | - | 1,020,087 |
| Total Contingency Fund | - | 1,020,087 |
| Expansion Reserve Fund | | |
| Cash and cash equivalents | 40,898,845 | 25,310,200 |
| Investments | 16,571,881 | 27,289,668 |
| Total Expansion Reserve Fund | 57,470,726 | 52,599,868 |
| Source Water Protection Fund | | |
| Cash and cash equivalents | 1,460,068 | 762,713 |
| Total Source Water Protection Fund | 1,460,068 | 762,713 |
| Total Current Assets | \$ 102,023,206 | \$ 96,168,254 |
| Non-Current Assets | | |
| Expansion Reserve Fund | | |
| Investments | \$ 499,365 | \$ - |
| Total Non-Current Assets | \$ 499,365 | \$ - |

See Independent Auditors' Report.

Beaver Water District of Washington and Benton Counties
Schedules of Restricted Cash and Investments
September 30, 2024 and 2023

| | 2024 | 2023 |
|-------------------------------------|---------------------|---------------------|
| Current Assets | | |
| Depreciation fund | | |
| Cash and cash equivalents | \$ 2,134,226 | \$ 2,040,173 |
| Contingency Fund | | |
| Cash and cash equivalents | 1,067,113 | - |
| Construction Fund | | |
| Cash and cash equivalents | - | 1,207,167 |
| Storage Space Fund | | |
| Investments | 1,477,157 | 2,957,799 |
| Source Water Protection Fund | | |
| Investments | 696,773 | 2,002,833 |
| Total Current Assets | \$ 5,375,269 | \$ 8,207,972 |
| Non-Current Assets | | |
| Source Water Protection Fund | | |
| Investments | \$ 1,002,375 | \$ - |
| Total Non-Current Assets | \$ 1,002,375 | \$ - |

See Independent Auditors' Report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Beaver Water District of Washington and Benton Counties (the District), which comprise the statements of net position as of and for the years ended September 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements, and have issued our report thereon dated December 15, 2024.

Independent Auditors' Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

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

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

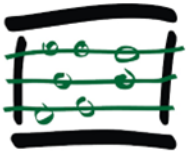
Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Abacus CPAs, LLC". The signature is written in a cursive, flowing style.

Springfield, Missouri

December 15, 2024



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

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

Independent Auditors' Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Beaver Water District of Washington and Benton Counties (the District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Beaver Water District of Washington and Benton Counties and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be significant deficiencies.

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

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

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

Abacus CPAs, LLC

Springfield, Missouri

December 15, 2024

Beaver Water District of Washington and Benton Counties
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

| Award Information | AL/other # | Pass-Through Entity Name | Pass-Through Entity # | Passed-through to Subrecipients (\$) | Federal Expenditures (\$) |
|--|------------|--------------------------------------|-----------------------|--------------------------------------|---------------------------|
| Drinking Water State Revolving Fund Cluster | | | | | |
| United States Environmental Protection Agency | | | | | |
| Drinking Water State Revolving Fund | | | | | |
| Drinking Water State Revolving Fund | 66.468 | Arkansas Natural Resource Commission | 01390-DWSRD-L | - | 23,450,952 |
| Total Drinking Water State Revolving Fund | | | | - | 23,450,952 |
| Total United States Environmental Protection Agency | | | | - | 23,450,952 |
| Total Drinking Water State Revolving Fund Cluster | | | | - | \$ 23,450,952 |
| Total Expenditures of Federal Awards | | | | - | \$ 23,450,952 |

The accompanying notes are an integral part of this schedule.

Beaver Water District of Washington and Benton Counties
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Notes to the Schedule of Expenditures

A. Basis of Presentation

The accompanying schedules of expenditures of federal awards are presented in accordance with 2 CFR section 200.510(b) and represent the financial activity of Beaver Water District of Washington and Benton Counties for the fiscal year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Beaver Water District of Washington and Benton Counties, it is not intended to and does not present the net position, changes in net position, or cash flows of Beaver Water District of Washington and Benton Counties.

B. Summary of Significant Accounting Policies

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

C. Federal Loans

The District was approved by the EPA and Drinking Water State Revolving Fund to receive loans totaling \$125,686,157 on a reimbursement basis. The balance at the end of the period was \$27,090,854.

| | | |
|--------------------|-----------|-------------------|
| Balance 09/30/2023 | \$ | 3,639,902 |
| Draws | | 23,450,952 |
| Balance 09/30/2024 | <u>\$</u> | <u>27,090,854</u> |

D. Compliance with DWSRF Program Requirements

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

E. Indirect Cost Rate

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

F. Assistance Listing Number (ALN)

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

Beaver Water District of Washington and Benton Counties
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors reporting: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? X Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? _____ Yes X None Reported

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

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

Identification of Major Programs:

| AL Number(s) | Name of Federal Program or Cluster |
|--|--|
| 66.468 | Drinking Water State Revolving Fund Cluster Drinking Water State Revolving Fund |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | _____ Yes <u> X </u> _____ No |

Section II - Financial Statement Findings

2024-001

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

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

Beaver Water District of Washington and Benton Counties
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section II - Financial Statement Findings - (continued)

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

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

Managements Response - Beaver Water District has committed to increase coverage and evaluate current controls. An additional evaluation of the IT environment and security.

Section III - Federal Award Findings and Questioned Costs

None

Beaver Water District of Washington and Benton Counties
Summary Schedule of Prior Audit Findings
September 30, 2024

Section I – Financial Statement Findings

None.

Section II – Federal Awards Findings

None.