2025

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

FALL RETREAT & BOARD MEETING

Together, we'll shape the future of ADFA, fostering growth and innovation to better serve Arkansas communities



**COMMITTEE MEETING** 

# ARKANSAS DEVELOPMENT FINANCE AUTHORITY BOARD COMMITTEE MEETINGS

Red Apple Inn, 305 Club Road, Heber Springs, AR Quindell Room

> Thursday, October 16, 2025 10:00 AM

These Committees may go into Closed Session for the purpose of the preliminary review of certain applications and all supporting documentation pursuant to §15-5-409(b) and §15-5-207(c).

| CONFID | DENTIAL INFORMATION  | No Action Needel   |
|--------|--|--------------------|
| _      |  |                    |
|        | REPORT: CONFIDENTIAL – Funds Available for Commitment as September 31, 2025 - FOR INFORMATION ONLY   |                    |
|        | REPORTS: CONFIDENTIAL - Development Finance - FOR INFORMATION ONLY   | ΤΔΒ 2              |
|        | TOR INTORVIATION ONLT  | 1AD 2              |
| 0      | Davier 1700  |                    |
| OTHER  | BUSINESS   |                    |
|        |  |                    |
| ll .   | · · · · · · · · · · · · · · · · · · ·  | Thomas, & Thurston |
| THURSI | DAY, OCTOBER 16, 2025  | To Follow          |
| I.     | MINUTES: Audit Committee Meeting - August 21, 2025   | TAB 3              |
| II.    | PRESENTATION: Fiscal Year 2025 Discussion Drafts by Frost, P<br>Committee to Consider Approval of the Reports - Presented by I<br>and Ryan Crews, Frost, PLLC - The Following Should Be Voted of | Brian Ettehad      |
|        | - Arkansas Development Finance Authority   | TAB 4              |
|        | - Construction Assistance Revolving Loan Fund Program  | TAB 5              |
|        | - Safe Drinking Water Revolving Loan Fund Program  | TAB 6              |

| I.   | MINUTES: Housing Review Committee Meeting - August 21, 2025  | TAB 7         |      |
|------|--|---------------|------|
| II.  | ACTION ITEM: Credit Swap Amendment - Deadline Extension - Patriot Presented by John Blackwell  |               |      |
| III. | ACTION ITEM: TBRA - Project Delivery Fees -  | TADO          |      |
|      | Presented by Lori Brockway   | IAB9          |      |
| IV.  | ACTION ITEM: BRAD - TBRA -   |               |      |
|      | Presented by Lori Brockway   | TAB 10        |      |
| V.   | ACTION ITEM: HOME - LIHTC Memo   |               |      |
|      | Presented by Lori Brockway and John Blackwell  | TAB 11        |      |
| VII  | REPORTS: Federal Housing Programs – FOR INFORMATION ONLY Presented by Lori Brockway  - HOME Activities Report - NHTF Activities Report - HOME-ARP Activities Report - ESG and CDBG-DR Activities Report - NHTF and HOME Funds Available  I.REPORT: Compliance Monitoring Activities: July through September 2025 FOR INFORMATION ONLY – Presented by Tammy White   | 5 –<br>ГАВ 13 |      |
| III  | FINANCIAL REPORTING AND OPERATIONS COMMITTEE (O'Connor, I  | Hudson, L     | ane, |
| II   | & Thurston) SDAY, OCTOBER 16, 2025   | To Foli       | LOW  |
| I.   | MINUTES: Financial Reporting and Operations Committee Meeting – July 17, 2025  | ГАВ 14        | 2011 |
|      | PROGRESSION OF THE TRANSPORT OF THE TRAN |               |      |

# LUNCHEON 12:00 PM GATE ROOM

No Business Will Be Conducted During This Time.

# ADJOURNMENT:

# TAB 1

# TAB 2

# BOND GUARANTY FUND REPORT

# CAPITAL ACCESS REPORTS

# VENTURE CAPITAL Arkansas Investments by Funds

# PROBLEM LOAN REPORT

# TAB 3

# ARKANSAS DEVELOPMENT FINANCE AUTHORITY

# **BOARD AUDIT COMMITTEE MEETING**

DEPARTMENT OF COMMERCE, 1 COMMERCE WAY, LITTLE ROCK, AR CENTRAL HIGH/OLD MILL MEETING ROOM THURSDAY, AUGUST 21, 2025

ADFA Board Audit Committee Members Present Via Phone or Video: Stephanie Garner; Andy Babbitt (Designee, Jim Hudson, Secretary, Department of Finance and Administration); Kirkley Thomas; and Kenneth Burleson (Designee, John Thurston, Treasurer, Office of Treasurer of State of Arkansas).

ADFA Board Members Present: Jon Chadwell; Rod Coleman; Dr. Lee Lane; Katelyn Martin; Seth Mims; and Carey Smith.

**ADFA Board Members Present Via Phone or Video:** George O'Connor; and Harold Perrin.

ADFA Board Members Absent: Denise Sweat, Audit Committee Chair.

ADFA Staff Present: Mark Conine, President, Arkansas Development Finance Authority; Robert "Ro" Arrington, Vice President, Homeownership and Public Finance; John Blackwell, Director of Tax Credits; Jake Bleed, General Counsel; Lori Brockway, Federal Housing Program Manager; Chuck Cathey, Vice President, Development Finance; Paula Farthing, Loan Servicing Manager; Sean Doolin, Assistant Controller; Tracy Green, Assistant Controller; Kimmy Helble, Executive Assistant to President and Capital Access Program Administrator; Hope Lewis, Controller; Derrick Rose, Director of Outreach and Communication; Megan Summitt, Internal Auditor; Tammy White, Compliance Manager; and Tony Williams, Director, Arkansas Student Loan Authority.

ADFA Staff Present Via Phone or Video: Jason Bays, HOME Program Coordinator; Blake Bumgardner, CDBG-DR Specialist; David Denman, Loan Operations Coordinator; Cathy Ganaway, Senior Accountant; Alisa Green, HOME-ARP Program Specialist; Lanita Hastings, HOME Program Coordinator; Amanda Hill, HOME Program Coordinator; Sam Leslie, Construction Inspector; Yedda Matthews, Senior Accountant; Monica Trammell, HOME Program; and Jenise Tucker, Accountant.

<u>Others Present:</u> Martin Kasten, Friday Law Firm; Cheryl Schluterman, Raymond James; and Jim Folwer, Rose Law Firm.

Others Present VIA Phone or Video: Traci Williams, Rockwell Housing Solutions; and Lornea Wells, The McVay Firm, PLLC.

<u>Call to Order</u>: Ms. Garner, as Acting Committee Chair, called the meeting to order at approximately 10:57 AM.

# **Audit Committee:**

<u>Minutes:</u> Ms. Sweat presented the Audit Committee minutes from the February 20, 2025 meeting and entertained a motion to approve the minutes.

Mr. Thomas made a motion to approve the Audit Committee meeting minutes as presented.

Mr. Burleson seconded the motion. The motion passed.

Review: LIHTC Program Audit: January 1, 2022 - December 31, 2024: Ms. Summitt gave a brief summary of the program and its creation by the Tax Reform Act of 1986 which gave ADFA the authority to reduce tax credits for acquisition, rehabilitation, or new construction of rental houses targeted to lower-income households.

Ms. Summitt stated the LIHTC Program received approximately \$9M in tax credits per year and that is what the Board considers and votes on to distribute to qualified applicants after Mr. Blackwell has reviewed the applications and determined whether the applicants have met the necessary qualifications.

Ms. Summitt stated the Audit Report for the LIHTC Program for the period of January 1, 2022 through December 31, 2024 was a larger audit score than is customarily performed. This was done so that the processes that a project goes through for the Tax Credit Program could be accurately reviewed. Ms. Summitt noted that as she progressed through the files and processes she had made several notations of issues and recommendations, then as she advanced into the most current processes, it was evident that Mr. Blackwell had been proactive in identifying the issues and making appropriate changes.

Ms. Summitt noted one of the aspects which was not reviewed in the audit that had been reviewed in previous audits was the State Credits. This was due to a lack of clarification of the planning period; with the Board's approval it was removed from the 2024 QAP. Moving forward, a review of the State Credits will be included in future audits as it appears to have been resolved.

Ms. Summitt continued to the recommendations on page five of the audit report for Mr. Blackwell and team to review for streamlining needs and accessibility within the MITAS system. Ms. Summitt stated that Mr. Blackwell had been proactive in the improvements for the program and had every confidence that he would continue to do so.

Review: Independent Auditor Report: Arkansas Institutional Fund (AIF) as of December 31, 2024: Ms. Summitt stated the annual audit for Arkansas Institutional Fund (AIF) was performed by Landmark, PLC and as with every year she prepared a memo that highlighted the pertinent facts within the audit. Ms. Summitt provided a summary of the memo and noted the AIF accounting was very complicated and time-consuming. Ms. Lewis and her team had done an exemplary job to have a clean audit year after year.

Ms. Summitt opened the floor up to Ms. Lewis and Mr. Cathey for questions from the Board regarding the audit or program.

Mr. Cathey stated under what would be considered subsequent advance, soon after publishing and the availability of this report, AIF received a very large distribution; it was large enough to extinguish the line of credit that AIF had been carrying since 2004. Mr. Cathey further stated that AIF was debt-free, and future distributions subject to no more borrowing would go into income.

<u>Voting Record:</u> Mr. Burleson made a motion to adopt the LIHTC Program Audit for the time period of January 1, 2022 – December 31, 2024 and the Independent Auditor Report of the Arkansas Institutional Fund (AIF) as of December 31, 2024 as presented by Ms. Summitt.

Mr. Babbitt seconded the motion. The motion passed.

<u>Adjournment:</u> Ms. Garner concluded the activities of the Audit Committee at approximately 11:08 AM.

Minutes approved and signed on this 21st day of August 2025.

Stephanie Garner, Acting Audit Committee Chair

# TAB 4

### **MEMORANDUM**

To: ADFA Board Audit Committee

From: Megan Summitt, Internal Auditor

Date: October 7, 2025

Subject: Summary of the Fiscal Year 2025 Audits for Arkansas Development Finance

Authority, Drinking Water Revolving Loan Fund Program, and the Construction

Assistance Revolving Loan Fund Program

The Fiscal Year 2025 audits for Arkansas Development Finance Authority (ADFA), Drinking Water Revolving Loan Fund Program, and Construction Assistance Revolving Loan Fund Program are being presented for the committee's review and approval. The examination was performed by Frost PLLC with the lead auditors Brian Ettehad and Daniel Meador.

Frost reviewed the Financial Reporting, Compliance, and Major Federal Programs. There were no material weaknesses, nor any significant deficiencies noted during the audit review of ADFA.

The Drinking Water Revolving Loan Fund and the Construction Assistance Revolving Loan Fund Programs are awarded to Arkansas Natural Resources Commission (ANRC), a Division of the State of Arkansas Department of Agriculture from the Environmental Protection Agency (EPA). Loans are made by ANRC to the cities, municipalities, water associations, or water facilities to fund projects and other purposes. Through an interagency agreement with ANRC, ADFA administers the programs and services the repayments. There were no material weaknesses, nor any significant deficiencies noted during the audit reviews of the Drinking Water and Construction Assistance Revolving Loan Fund Programs.

Attached prior to each report are the letters from Frost PLLC to the Board of Directors.

# Arkansas Development Finance Authority

Fiscal Year 2025 Discussion Draft

# **Communication With Those Charged With Governance**

Board of Directors Arkansas Development Finance Authority, A Component Unit of the State of Arkansas Little Rock, Arkansas

We have audited the combined financial statements of the Arkansas Development Finance Authority (the "Authority"), a component unit of the State of Arkansas, as of and for the year ended June 30, 2025, and have issued our report thereon dated \_\_\_\_\_\_, 2025. Professional standards require that we advise you of the following matters relating to our audit.

# Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 20, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the combined financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the combined financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement. An audit of combined financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

# **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

# **Significant Risks Identified**

We are required to communicate to you significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. We have identified the following significant risks:

- Improper revenue recognition is presumed, by auditing standards, to be a risk of fraud.
- Management override of internal controls As presumed by auditing standards, management may be in a position to override internal controls leading to a risk of fraud.

We responded to these risks by performing procedures such as, but not limited to, (1) Specific journal entry testing; (2) Inquiry with management and others in the Authority; (3) Internal control evaluation; and (4) Specific testing of revenue transactions. Based on these tests, along with our other audit procedures, we found no adjustments required to be made with respect to these significant risk areas in order to keep the combined financial statements from being materially misstated.

# Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the combined financial statements. As described in Note 1.c. to the combined financial statements, during the year, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences" and GASB Statement No. 102, "Certain Risk Disclosures." No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the combined financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the combined financial statements, and the processes used by management as the basis for their estimates, are as follows:

- Allowance for loan losses Management's estimate of the allowance for loan losses is based on management's evaluation of the collectability of the loan portfolio, including the nature of the loan portfolio, credit concentrations, financial performance of the borrower, the financial strength of any guarantors, the value of any collateral which secures the respective loans, as well as overall and industry specific economic factors.
- Depreciation lives and methods Management estimates useful lives of depreciable fixed assets based on historical replacement data and the assets' current and expected use.
- Fair value of investments Management estimates the fair value of investments based on information provided by financial institutions that oversee the investment activity.
- Pension and other postemployment benefit accruals Projected pension and other postemployment benefit accruals are based on reports prepared by an independent actuary using plan provisions, participant data furnished by management, and actuarial assumptions regarding mortality, interest rates, plan expenses, and rates of disabilities and withdrawals.

We evaluated the factors and assumptions used to develop the estimates and determined they are reasonable in relation to the basic combined financial statements taken as a whole and in relation to the applicable opinion units.

### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's combined financial statements relate to:

- Note 9 Retirement Plan
- Note 10 Postemployment Benefits Other Than Pensions
- Note 11 Fair Value of Financial Instruments
- Note 14 Subsequent Events

### Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures, and the combined financial statements as a whole and each applicable opinion unit. There were no such uncorrected misstatements noted during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no such corrected misstatements noted during our audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's combined financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated , 2025.

# **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

# Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

\* \* \* \* \* \*

This report is intended solely for the information and use of the Board of Directors and management of the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank all of the personnel of the Authority for their assistance during the audit. We appreciate the opportunity to present these comments and are available to discuss these matters further at your convenience.

Certified Public Accountants

Little Rock, Arkansas \_\_\_\_\_, 2025

A copy of the signed management representation letter will accompany this letter when finals are printed.

# Arkansas Development Finance Authority

# Fiscal Year 2025 Financial Statement Discussion Draft





June 30, 2025

Combined Financial Statements
And
Supplementary Information

With

**Independent Auditor's Report** 



# **Table of Contents**

|  | Page    |
|--|---------|
| Independent Auditor's Report   | 1-3     |
| Management's Discussion and Analysis   | 4 – 8   |
| Combined Financial Statements  | ,       |
| Combined Statement of Net Position   | 9 – 10  |
| Combined Statement of Revenues, Expenses, and Changes in Net Position  | 11      |
| Combined Statement of Cash Flows (Authority Only)  | 12 – 13 |
| Notes to Combined Financial Statements   | 14 – 45 |
| Required Supplementary Information   |         |
| Schedule of the Authority's Proportionate Share of the Net Pension Liability – Arkansas Public Employees Retirement System as of June 30, 2025 – June 30, 2016 | 46      |
| Schedule of the Authority's Contributions – Arkansas Public Employees Retirement System for the Years Ended June 30, 2025 – June 30, 2016                      | 47      |
| Schedule of Changes in Total Other Postemployment Benefits Liability for the Years Ended June 30, 2025 – June 30, 2018   | 48      |
| Supplementary Information  |         |
| Combining Statement of Net Position  | 49 – 50 |
| Combining Statement of Revenues Expenses and Changes in Net Position   | 51      |

# **Table of Contents** (cont.)

|  | <u>Page</u> |
|--|-------------|
| Compliance and Internal Control Section  |             |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards | 2 – 53      |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance   | 4 – 56      |
| Schedule of Findings and Questioned Costs  | .57         |
| Summary Schedule of Prior Audit Findings   | . 58        |
| Schedule of Expenditures of Federal Awards   | . 59        |
| Notes to Schedule of Expenditures of Federal Awards6   | 50 - 61     |

# **Independent Auditor's Report**

Board of Directors Arkansas Development Finance Authority, A Component Unit of the State of Arkansas Little Rock, Arkansas

### **Report on the Audit of the Combined Financial Statements**

**Opinions** 

We have audited the combined financial statements of the business-type activities and the aggregate discretely presented component unit of the Arkansas Development Finance Authority, a component unit of the State of Arkansas, as of and for the year ended June 30, 2025, and the related notes to the combined financial statements, which collectively comprise Arkansas Development Finance Authority's basic combined financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Arkansas Development Finance Authority, a component unit of the State of Arkansas, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinions

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

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkansas Development Finance Authority's ability to continue as a going concern for 12 months beyond the combined financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

# Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. We did not audit the financial statements of the Arkansas Institutional Fund, LLC, which represents 14%, 6%, and (12%) of the assets, net position, and total changes in net position, respectively, for the year ended June 30, 2025 of the aggregate financial statements of the Arkansas Venture Capital Investment Trust, which is an aggregate discretely presented component unit of the Arkansas Development Finance Authority. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditor. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 combined financial statements. The financial statements of Arkansas Institutional Fund, LLC, a blended component unit included in the financial statements of the aggregate discretely presented component unit, were not audited in accordance with GAS.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Arkansas Development Finance Authority'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkansas Development Finance Authority's ability to continue as a going concern for a reasonable period of time.

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

# Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 4 through 8, and other required supplementary information on pages 46 through 48 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 combined financial statements that collectively comprise Arkansas Development Finance Authority's basic combined financial statements. The 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*, is presented for purposes of additional analysis and are not a required part of the basic combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic combined 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 combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

# Other Reporting Required by GAS

In accordance with GAS, we have also issued our report dated \_\_\_\_\_, 2025, on our consideration of Arkansas Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Arkansas Development Finance Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering Arkansas Development Finance Authority's internal control over financial reporting and compliance.

Certified Public Accountants

Little Rock, Arkansas , 2025

### Management's Discussion and Analysis

### For the Year Ended June 30, 2025

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the Arkansas Development Finance Authority ("ADFA" or the "Authority"). Readers are encouraged to consider the information presented in conjunction with the combined financial statements and notes as a whole.

## **Understanding the Combined Financial Statements**

The June 30, 2025 basic combined financial statements include three required statements: The combined statement of net position; the combined statement of revenues, expenses, and changes in net position; and the combined statement of cash flows. The combined statement of net position and the combined statement of revenues, expenses, and changes in net position are presented for all of ADFA's programs in the combining statements of the Authority. ADFA has nine programs presented as supplementary information following the notes to combined financial statements: Single Family Housing Programs, Federal Housing Programs, Multi-Family Programs, Economic Development Bond Guaranty Program, State Facilities and Amendment 82 Programs, Other Economic Development Programs, Tobacco Settlement Revenue Bonds Program, Student Loan Programs, and General Fund Program.

The Authority includes three other legally separate entities in its reporting entity – the Arkansas Venture Capital Investment Trust ("AVCIT") and its blended component units, the Arkansas Institutional Fund, LLC ("AIF") and the Arkansas Venture Development Fund, LLC ("AVDF"). Although legally separate, these component units are included because the Authority is financially and administratively accountable for them and excluding them would be misleading. Financial information for these component units is reported separately from the financial information presented for the Authority itself. Additional information about the relationships between the Authority and these component units can be found in Note 1.a. to the combined financial statements.

## Management's Discussion and Analysis (cont.)

# For the Year Ended June 30, 2025

### **Condensed Combined Statements of Net Position**

|   | Authority |             |             |
|---|-----------|-------------|-------------|
|   |           | <u>2025</u> | <u>2024</u> |
| (In thousands)  |           |             |             |
| Assets  |           |             |             |
| Current assets  | \$        | 392,644     | \$ 366,345  |
| Capital assets, net                                   |           | 2,080       | 2,121       |
| Other noncurrent assets                               |           | 747,483     | 639,729     |
| Total assets  |           | 1,142,207   | 1,008,195   |
|   |           |             |             |
| Deferred outflow of resources                         |           | 1,067       | 1,641       |
|   |           |             |             |
| Liabilities   |           |             |             |
| Current liabilities                                   |           | 34,779      | 34,586      |
| Noncurrent liabilities                                |           | 576,268     | 467,586     |
| Total liabilities                                     | <u> </u>  | 611,047     | 502,172     |
|   |           |             |             |
| Deferred inflow of resources                          |           | 1,677       | 1,844       |
|   | _         |             |             |
| Net position  |           |             |             |
| Investment in capital assets                          |           | 2,080       | 2,121       |
| Restricted expendable by bond resolution and programs |           | 366,292     | 344,907     |
| Unrestricted  |           | 162,178     | 158,792     |
|   |           |             |             |
| Net position  | \$        | 530,550     | \$ 505,820  |

# Combined Statement of Net Position

During fiscal year 2025, total assets increased approximately \$134.0 million to approximately \$1.14 billion primarily due to the increase in cash and cash equivalents and investments as discussed below.

Cash and cash equivalents ("cash") increased \$41.6 million, or 12%, primarily due to receiving bond proceeds on the two Single Family bond deals that closed during the year net of purchasing mortgage-backed securities ("MBS") with the proceeds. Investments increased \$85.3 million, or 59%, due to the MBS purchases with bond proceeds.

# Management's Discussion and Analysis (cont.)

# For the Year Ended June 30, 2025

The Authority's liabilities increased by approximately \$108.9 million, or 22%, due to an increase in bonds and notes payable, net of \$104.6 million. The increase for bonds and notes payable is mainly attributable to the issuance of Single Family bond deals of \$50 million and \$75 million closed during the year net of scheduled redemptions of \$23.1 million and optional bond calls of \$3.5 million.

# Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position

|  | Authority         |            |  |
|--|-------------------|------------|--|
|  | <u>2025</u>       | 2024       |  |
| (In thousands)   |                   | /          |  |
| Operating revenues                                       |                   |            |  |
| Total investment income                                  | \$ 45,589         | \$ 40,210  |  |
| Other income/gain on sale of loans                       | 82                | 74         |  |
| Total operating revenues                                 | 45,671            | 40,284     |  |
|  |                   |            |  |
| Operating expenses                                       |                   |            |  |
| Interest and amortization on bonds and notes             | 18,302            | 14,638     |  |
| Total administrative expenses                            | 15,108            | 17,349     |  |
| Total operating expenses                                 | 33,410            | 31,987     |  |
|  |                   |            |  |
| Operating income   | 12,261            | 8,297      |  |
|  |                   |            |  |
| Nonoperating revenues                                    |                   |            |  |
| Federal grants   | 18,420            | 18,725     |  |
|  |                   |            |  |
| Income before transfers out, net                         | 30,681            | 27,022     |  |
|  |                   |            |  |
| Transfers out, net                                       | (5,374)           | (4,292)    |  |
|  |                   |            |  |
| Changes in net position                                  | 25,307            | 22,730     |  |
|  |                   |            |  |
| Net position - beginning of year, as previously reported | 505,820           | 483,090    |  |
|  |                   |            |  |
| Adoption of Governmental Accounting Standards Board      | 5.7.7             |            |  |
| Statement No. 101, "Compensated Absences"                | 577               |            |  |
|  | 505.242           |            |  |
| Net position - beginning of year, as restated            | 505,243           |            |  |
| NI ( '4' 1 C   | ф. <b>530.550</b> | Φ 505.020  |  |
| Net position - end of year                               | \$ 530,550        | \$ 505,820 |  |

### **Management's Discussion and Analysis (cont.)**

### For the Year Ended June 30, 2025

# Combined Statement of Revenues, Expenses, and Changes in Net Position

ADFA's income before transfers out totaled \$30.7 million for the year ended June 30, 2025, compared to \$27.0 million for the year ended June 30, 2024.

The increase in the income before transfers out relates primarily to the increase in total investment income of \$5.4 million and decrease in federal financial assistance programs expense ("federal expenses") of \$3.4 million offset mainly by increases in interest on bonds and notes of \$3.8 million and other expenses of \$1.2 million.

The increase in total investment income is due partly to the increase in investment income of \$3.8 million, or 25%, due to the increase of originating MBS at rates ranging between 5% - 5.375%. The increase is also due to the increase in net appreciation of investments of \$1.1 million, or 58%, which is due to market conditions improving and having the market value being closer to cost values of MBS which comprise the majority of the Authority's portfolio.

The decrease associated with federal expenses is mainly due to the Homeowner Assistance Fund Program. The program received the funds in prior years totaling \$63.3 million and disbursed \$88,000 this year compared to \$6.7 million in the past year. This program is winding down and ends September 2026. The increase in other expenses is primarily due to the issuance costs of two Single Family bond deals totaling \$1.2 million that closed during the current fiscal year.

ADFA's overall financial position has improved. During the current fiscal year, the net position increased from the prior year by approximately \$24.7 million, or 5%; however, this was mainly due to the timing of federal funds being received versus disbursed and market conditions due to higher interest rates.

Single Family: During the prior fiscal year, the Authority reauthorized the use of the 1995 Single Family General Resolution to issue primarily tax-exempt bonds to fund first-time and other qualified homebuyers with below market interest rates. The Internal Revenue Service ("IRS") is the governmental entity that establishes the rules or code for issuing tax-exempt bonds that the Authority must follow including criteria for participants. For the previous 10 years, the Authority did not issue bonds due to the market environment and utilized the to-be-announced (TBA) mortgage markets to aid Arkansas citizens to obtain homeownership. With higher interest rate conditions and an available volume cap, the Authority decided to issue mortgage revenue bonds. The 2024 Series A and B Bonds were issued for \$50 million at interest rates ranging from 3.40% - 6.10% with a premium of \$550,000 and a final maturity date of July 1, 2054. 2024 Series B Bonds are taxable bonds of \$10 million. The mortgage interest rate for the homeowner was 5.875% for all except one borrower at 6.125% due to closing the loan the first week of opening the mortgage program. IRS code allows up to a 1.125% spread between the bond yield and the mortgage interest rate to cover ongoing administrative costs. All excess spread above the allowable amount must be repurposed into the mortgage program in the form of lower interest rates or rebated back to the IRS.

### **Management's Discussion and Analysis (cont.)**

### For the Year Ended June 30, 2025

During the current fiscal year, the Authority issued 2024 Series C Bonds on September 24, 2024 for \$50 million at interest rates ranging from 3.2% - 5.0% with a premium of \$919,000 and maturing on January 1, 2055. The mortgage interest rate offered was 5.875% but on September 16, 2024, the mortgage interest rate was decreased to 5.50% and a conventional mortgage interest rate was offered with the mortgage interest rate of 5.875%. 2024 Series C Bonds proceeds funded the mortgage loans with these terms. On April 16, 2025, the Authority issued 2025 Series A Bonds for \$75 million at interest rates ranging from 2.95% - 5.50% with a premium of \$1.5 million and maturing January 1, 2056. On May 27, 2025, the Authority increased mortgage rates to 5.75% on governmental loans and 6.125% on conventional loans due to housing market changes. The Authority plans on continuing to issue tax-exempt bonds as long as the bond market is advantageous to do so.

## **Credit Ratings**

The Issuer Credit Rating of ADFA from Standard & Poor's ("S&P") Global Ratings is currently "AA/Stable". Changes in state and federal legislation and statutes can play a role in ADFA achieving its goals and objectives.

The 1995 General Resolution Single Family mortgage revenue bonds are currently rated "AA+/Stable" from S&P.

The Authority also administers the Bond Guaranty Fund created by Act 505. The fund is currently rated "A+/Stable" from S&P. The obligations of the Authority as guarantor are limited to available monies in the ADFA Guaranty Reserve Account, created and maintained pursuant to the authority conferred in the ADFA Guaranty Act.

# Contacting the Authority's Financial Management

This financial report is designed to provide bondholders, constituents, and business partners with a general overview of the Authority's finances and to show the Authority's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the Chief Financial Officer by telephoning 501.682.5900. The Authority's website is https://adfa.arkansas.gov.

# **Combined Statement of Net Position**

# June 30, 2025

# (In Thousands)

| Assets and Deferred Outflow of Resources   | <u>Authority</u> | Component <u>Unit</u> |
|--|------------------|-----------------------|
| Current assets   |                  |                       |
| Cash and cash equivalents  | \$ 377,558       | \$ 1,318              |
| Accrued interest receivable  | 3,483            | -                     |
| Accounts receivable  | 4,109            | -                     |
| Current portion of   |                  |                       |
| Investments  | 2,989            | -                     |
| Loans  | 2,847            | -                     |
| Loans to Component Unit  | 1,658            |                       |
| Total current assets   | 392,644          | 1,318                 |
| Noncurrent assets Investments  |                  |                       |
| Unrestricted   | 44,744           | -                     |
| Restricted   | 182,560          | 20,982                |
| Loans, net of allowance for loan losses of \$80,661                                    | 516,372          | 4,700                 |
| Capital assets, net  | 2,080            | -                     |
| Other assets   | 3,807            |                       |
| Total noncurrent assets  | 749,563          | 25,682                |
| Total assets   | 1,142,207        | 27,000                |
| Deferred outflow of resources  |                  |                       |
| Other postemployment benefits ("OPEB") difference in expected versus actual experience | 115              | -                     |
| Changes in OPEB actuarial assumptions and proportions                                  | 65               | -                     |
| Pension contributions, net differences, and changes in share of contributions          | 525              | -                     |
| Pension differences in expected versus actual experience                               | 137              | -                     |
| Net differences between expected and actual investment earnings                        | 102              | -                     |
| Changes in pension actuarial assumptions and proportions                               | 123              |                       |
| Total deferred outflow of resources  | 1,067            | -                     |
|  |                  |                       |
| Total assets and deferred outflow of resources   | \$ 1,143,274     | \$ 27,000             |

# **Combined Statement of Net Position (cont.)**

# June 30, 2025

# (In Thousands)

| Liabilities, Deferred Inflow of Resources, and Net Position              | Authority    | Component<br><u>Unit</u> |
|--|--------------|--------------------------|
| Current liabilities  |              |                          |
| Accounts payable   | \$ 2,096     | \$ 1                     |
| Accrued interest payable   | 4,499        | 24                       |
| Unearned fees  | 147          | -                        |
| Contract obligations   | 3,294        | -                        |
| Deferred gain on refinancing sale of asset                               | 33           | -                        |
| Current portion of bonds and notes payable                               | 24,627       | 2,301                    |
| OPEB and pension liabilities   | 83           | <del></del>              |
| Total current liabilities  | 34,779       | 2,326                    |
| Noncurrent liabilities   |              |                          |
| Unearned fees  | 373          | -                        |
| Contract obligations   | 2,590        | -                        |
| Bonds and notes payable, net of unamortized premiums and current portion | 513,502      | -                        |
| Deposits against financing arrangements                                  | 51,855       | -                        |
| Deferred gain on refinancing sale of asset                               | 188          | -                        |
| OPEB and pension liabilities   | 5,351        | -                        |
| Other liabilities  | 2,409        | <del>-</del>             |
| Total noncurrent liabilities   | 576,268      |                          |
| Total liabilities  | 611,047      | 2,326                    |
| Deferred inflow of resources   |              |                          |
| OPEB difference in expected versus actual experience                     | 141          | -                        |
| Changes in OPEB actuarial assumptions and proportions                    | 833          | -                        |
| Pension difference in expected versus actual experience                  | 144          | -                        |
| Changes in employer pension contribution and share of contributions      | 64           | -                        |
| Lease obligations  | 495          | <del></del>              |
| Total deferred inflow of resources                                       | 1,677        | <u> </u>                 |
| Total liabilities and deferred inflow of resources                       | 612,724      | 2,326                    |
|  |              |                          |
| Net position   |              |                          |
| Investment in capital assets   | 2,080        | -                        |
| Restricted expendable by bond resolution and programs                    | 366,292      | 24,145                   |
| Restricted, nonexpendable, and minority interest                         | -            | 529                      |
| Unrestricted   | 162,178      |                          |
| Total net position   | 530,550      | 24,674                   |
| Total liabilities, deferred inflow of resources, and net position        | \$ 1,143,274 | \$ 27,000                |

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

# **Combined Statement of Revenues, Expenses, and Changes in Net Position**

# For the Year Ended June 30, 2025

# (In Thousands)

| Operating revenues (losses) Investment income (loss)   | <u>Authority</u> | Component<br><u>Unit</u> |
|--|------------------|--------------------------|
| Interest and dividends   | \$ 18,987        | \$ 211                   |
| Impairment loss  | 3 18,387         | (2,370)                  |
| Loans and direct financing leases  | 17,716           | 11                       |
| Amortization of discounts on loans   | 17,710           | - 11                     |
| Financing fees   | 6,025            | _                        |
| Net appreciation of investments  | 2,860            | -                        |
| Total investment income (loss)   | 45,589           | (2,148)                  |
| Other income   | 82               | (2,140)                  |
| Total operating revenues (losses)  | 45,671           | (2,148)                  |
| Total operating revenues (losses)  | 43,071           | (2,146)                  |
| On the second of |                  |                          |
| Operating expenses   | 18,302           | 92                       |
| Interest and amortization on bonds and notes   | 16,302           | 92                       |
|  |                  |                          |
| Administrative expenses Provision for loan losses  | 2 (75            |                          |
| Federal financial assistance programs  | 2,675<br>2,998   | -                        |
| Loan servicing and other contractual services  | 2,998            | -                        |
| Salaries and benefits  | 4,607            |                          |
| Operations and maintenance   | 1,003            | _                        |
| Other  | 3,641            | 254                      |
| Total administrative expenses  | 15,108           | 254                      |
| Total administrative expenses  | 15,100           |                          |
| Total operating expenses   | 33,410           | 346                      |
| Operating income (loss)  | 12,261           | (2,494)                  |
| Nonoperating revenues  |                  |                          |
| Federal grants   | 18,420           | -                        |
|  |                  |                          |
| Income (loss) before transfers in (out), net   | 30,681           | (2,494)                  |
| Transfers in (out), net  | (5,374)          | 4,360                    |
|  |                  |                          |
| Changes in net position  | 25,307           | 1,866                    |
| Net position - beginning of year, as previously reported   | 505,820          | 22,808                   |
|  |                  |                          |
| Adoption of Governmental Accounting Standards Board Statement No. 101,   |                  |                          |
| "Compensated Absences"   | 577              |                          |
|  |                  |                          |
| Net position - beginning of year, as restated  | 505,243          | 22,808                   |
|  |                  |                          |
| Net position - end of year   | \$ 530,550       | \$ 24,674                |

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

## **Combined Statement of Cash Flows (Authority Only)**

## For the Year Ended June 30, 2025

## (In Thousands)

| Cash flows from operating activities                 |            |
|--|------------|
| Financing fee income received                        | \$ 5,595   |
| Other received                                       | 82         |
| Cash paid to employees                               | (3,336)    |
| Cash paid for program administration                 | (8,471)    |
| Net cash used by operating activities                | (6,130)    |
| Cash flows from noncapital financing activities      |            |
| Proceeds from issuance of bonds and notes payable    | 127,930    |
| Repayments of bonds and notes payable                | (26,525)   |
| Cash paid for interest                               | (12,479)   |
| Nonoperating revenues received                       | 18,420     |
| Transfers out, net                                   | (5,374)    |
| Net cash provided by noncapital financing activities | 101,972    |
|  |            |
| Cash flows from investing activities                 |            |
| Purchase of investments                              | (114,381)  |
| Maturities of investments                            | 31,883     |
| Interest received on investments                     | 18,762     |
| Interest received on loans                           | 14,226     |
| Principal repayments on loans                        | 43,566     |
| Loan disbursements                                   | (47,139)   |
| Cash paid for financing arrangements                 | 1,854      |
| Purchase of capital assets                           | (43)       |
| Investment in state facilities                       | (2,986)    |
| Net cash used in investing activities                | (54,258)   |
|  |            |
| Net increase in cash and cash equivalents            | 41,584     |
| Call and ask aminulants, hasing in a stress          | 335,974    |
| Cash and cash equivalents - beginning of year        |            |
| Cash and cash equivalents - end of year              | \$ 377,558 |

## Combined Statement of Cash Flows (Authority Only) (cont.)

## For the Year Ended June 30, 2025

(In Thousands)

| Reconciliation of changes in net position to net cash used by | X             |
|---|---------------|
| operating activities  |               |
| Operating income  | \$<br>12,261  |
| Adjustments to reconcile operating income to net cash used by |               |
| operating activities  |               |
| Amortization  | (84)          |
| Accreted deferred financing fees                              | (173)         |
| Accreted interest on loans                                    | (3,294)       |
| Accreted interest on bonds                                    | 3,294         |
| Depreciation of capital assets                                | 84            |
| Provision for loan losses                                     | 2,675         |
| Net appreciation of investments                               | (2,860)       |
| Interest income   | (33,401)      |
| Interest paid on bonds and notes                              | 15,093        |
| Changes in operating assets and liabilities                   |               |
| Accounts receivable   | (29)          |
| Other assets  | 1,082         |
| Accounts payable  | (1,355)       |
| Other liabilities   | <br>577       |
|   |               |
| Net cash used by operating activities                         | \$<br>(6,130) |

### **Notes to Combined Financial Statements**

June 30, 2025

### 1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of operations and reporting entity – The Arkansas Development Finance Authority ("ADFA" or the "Authority"), a component unit of the State of Arkansas, was created on May 1, 1985, by Act 1062 of 1985 (Arkansas Development Finance Authority Act) as a successor to the former Arkansas Housing Development Agency (created in 1977) whereby all records, funds, property, obligations, debts, functions, powers, and duties were transferred to the Authority. Pursuant to Act 1062 of 1985, the Authority is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments, and industrial enterprises. In 2019, the General Assembly approved Act 910 of 2019, the Transformation and Efficiencies Act of 2019. Ten former state agencies and several boards and commissions were made part of the Arkansas Department of Commerce, including the Authority. Act 944 of 2025 removed the Authority from the Arkansas Department of Commerce effective July 1, 2025. The Authority now serves as an independent instrumentality of the State of Arkansas, whereby the Authority is still subject to State oversight but is given independence to better serve the public needs.

Effective July 1, 2017, Arkansas Student Loan Authority ("ASLA") merged with the Authority. ASLA functions as a division of the Authority. ASLA was created to improve access to higher education funding for Arkansas students. As part of its mission, ASLA administers federal loans, provides loan servicing on behalf of the U.S. Department of Education, provides feebased default management services to Arkansas colleges and universities, and provides free college planning services to college-bound high school students.

The affairs of the Authority are governed by a board of directors composed of the Arkansas state treasurer, director of the Department of Finance and Administration ("DFA"), and 11 public members appointed by the governor of Arkansas. The State of Arkansas (the "State") is financially accountable for the Authority because of the governor's ability to appoint the majority of the members of its governing body and its ability to impose its will on the Authority's operations.

Bonds and other debt instruments issued by the Authority and included on the Authority's combined financial statements are usually special obligations of the Authority, payable solely from, and collateralized by, a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The Authority has issued bonds and other debt instruments, which are general obligations of the Authority, supported by the Authority's general fund assets and/or pledge of the Authority's issuer credit rating. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of, or interest on, the bonds and other debt instruments. The Authority has no taxing power.

Component units are legally separate organizations for which the Authority's management is financially accountable or for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's combined financial statements to be misleading.

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Three component units meet the criteria to be discretely presented in the combined financial statements. The financial information of the Arkansas Venture Capital Investment Trust ("AVCIT" or "Component Unit"), including its blended component units, the Arkansas Institutional Fund, LLC ("AIF") and the Arkansas Venture Development Fund, LLC ("AVDF"), is presented in a separate column in the agency-wide financial statements to emphasize that the AVCIT (including AIF and AVDF) is legally separate from the Authority.

The Authority is financially accountable for the AVCIT because the Authority's president is one of the three trustees, and the Authority is charged with daily operations and management of the programs within the trust.

The AVCIT, a public trust, was created in 2003 pursuant to the provisions of the laws of the State, including specifically Title 28, Chapter 72, Subchapter 2 of the Arkansas Code of 1987 Annotated. The General Assembly of the State adopted the Venture Capital Investment Act of 2001 ("VCI Act"), codified as Title 15, Chapter 5, Subchapter 14 of the Arkansas Code of 1987 Annotated, for the purpose of increasing the availability of equity and near-equity capital for emerging, expanding, relocating, and restructuring enterprises in the State. The trust is governed by three trustees: the President of the Authority, the Secretary of the DFA, and the Executive Director of the Arkansas Economic Development Commission ("AEDC").

The AIF was formed in 2003 by AVCIT, which owns 99.8% of the limited liability company. The purpose of the AIF is to invest in private equity, seed, and venture funds and to support the growth and development of the venture capital industry in the State. Although AVCIT is the fund manager of AIF, it has contracted with the Authority to perform those duties. The AIF's audited financial statements are accounted for on a calendar-year basis and reported under Financial Accounting Standards Board ("FASB") standards. As such, AIF's financial statement presentation was recast to be consistent with Governmental Accounting Standards Board ("GASB") presentation features. No other modifications have been made to the AIF's financial information in the Authority's financial reporting entity for differences of FASB and GASB standards. Subsequent to 2016, the purposes of this entity were carried out through the AVDF.

The AVDF was formed in 2016 by AVCIT, which is the sole owner of the limited liability company. The primary purposes of the AVDF are to assist the Authority and the AVCIT in advancing the goals and objectives of the Authority by strengthening the economic base and creating jobs within the State, including carrying out the purposes and goals of the VCI Act.

Separately issued audited financial statements are not available for the AVDF or the Arkansas Venture Capital Development Fund ("AVC"). Separately issued audited financial statements for AIF can be obtained by contacting:

Arkansas Development Finance Authority 1 Commerce Way, Suite 602 Post Office Box 8023 Little Rock, Arkansas 72202

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

b. **Measurement focus and basis of accounting** – The Authority is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting, wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Authority's combined statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

Absences." The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, with earlier adoption encouraged. During the year ended June 30, 2025, the Authority adopted this statement, the effects of which are disclosed on the accompanying combined statement of revenues, expenses, and changes in net position and in Note 6.

GASB Statement No. 102, "Certain Risk Disclosures." The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement will improve financial reporting by providing users of the combined financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, with earlier adoption encouraged. During the year ended June 30, 2025, the Authority adopted this statement, which did not have a material impact on its combined financial statements.

GASB Statement No. 103, "Financial Reporting Model Improvements." The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. For governments engaged in business-type activities, the primary impact of this statement will be changes to the combined statement of revenues, expenditures, and changes in net position ("SRECNP"). This statement not only changes the required sections and subtotals to be included in the SRECNP but creates new definitions for subsidies and operating and nonoperating revenues and expenses. Upon adoption, the new definitions may cause reclassifications of revenues and expenses within the SRECNP. This statement also impacts other financial statement presentation requirements, including major component units, unusual or

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

infrequent items, and management's discussion and analysis. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, with earlier adoption encouraged. The Authority does not expect this statement to have a material impact on its combined financial statements.

GASB Statement No. 104, "Disclosure of Certain Capital Assets." The objective of this statement is to establish requirements for certain types of capital assets to be disclosed separately in the capital assets footnote disclosure required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." This statement also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for fiscal year beginning after June 15, 2025, and all reporting periods thereafter, with earlier adoption encouraged. The Authority has not determined the impact, if any, this statement could have on its combined financial statements.

d. **Fund accounting** – The Authority utilizes internal funds, each of which accounts for the assets, liabilities, net position, revenues, and expenses of the Authority's programs and activities.

The following describes the nature of the operations and significant programs currently maintained by the Authority:

Single Family Housing Programs

Single Family Mortgage Purchase Program – Accounts for proceeds from single-family mortgage revenue bonds, the debt service requirements of the bonds, and the related mortgage-backed securities, or mortgage loans for single-family owner-occupied housing in the State. Included within this program are the Authority's Single Family Mortgage Revenue Bond General Resolution, adopted on July 20, 1995 (1995 General Resolution), and the Authority's Home Ownership Revenue Bond General Resolution, adopted on November 19, 2009 (2009 General Resolution).

Federal Housing Programs

**HOME Investment Partnerships Program** – Accounts for federal financial assistance received from the U.S. Department of Housing and Urban Development ("HUD") for the purpose of developing and supporting affordable housing through tenant based rental assistance, rental rehabilitation, new construction, or assistance to homebuyers and homeowners.

Tax Credit Assistance Program ("TCAP") – Accounts for federal financial assistance in the form of American Reinvestment and Recovery Act funds received from HUD for the purpose of providing additional financing in the form of loans to developers to ensure that developments have sufficient financing to provide quality affordable housing. Only developments that were awarded low-income housing tax credits under Section 42(h) of the Internal Revenue Code ("IRC") in federal fiscal years 2007, 2008, and 2009 were eligible for the sub-awards granted to the State from HUD for TCAP funding.

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Neighborhood Stabilization Programs ("NSP") — Accounts for federal financial assistance received from HUD for the purpose of stabilizing neighborhoods that have suffered the most from foreclosures and abandonment. The Authority participated in two of the three NSP offered by HUD. The first NSP was authorized by the Housing and Economic Recovery Act, which was signed into law on July 30, 2008. The third NSP was authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. NSP provides loans to purchase and rehabilitate foreclosed or abandoned homes for sale or rent in order to stabilize neighborhoods and stem the decline of house values in neighboring homes.

**Preservation Revolving Loan Fund Program** – Accounts for federal financial assistance received from the U.S. Department of Agriculture ("USDA") Rural Housing Service to loan funds to carry out a demonstration program that provides revolving loans for the preservation and revitalization of low-income multi-family housing.

National Housing Trust Fund Program – Accounts for federal financial assistance received from HUD for the purpose of expanding and preserving the supply of affordable housing, particularly rental housing, for extremely low-income to very low income households.

Homeowner Assistance Fund ("HAF") Program – Accounts for federal financial assistance received from the U.S. Department of the Treasury as a grant under the American Rescue Plan Act of 2021 ("ARPA") for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020 through reimbursement of qualified expenses related to mortgages and housing.

Emergency Solutions Grant Program – Accounts for federal assistance received from HUD Community Planning and Development to provide funding to engage homeless individuals and families, improve the number and quality of emergency shelters for homeless individuals and families, help operate these shelters, provide essential services to shelter residents, rapidly re-house homeless individuals and families, and prevent families and individuals from being homeless.

Multi-Family Programs

Financing Adjustment Factor ("FAF")/New BMIR Loan Programs – Accounts for loans receivable funded by distributions the Authority received from an old multi-family bond issue, as well as from FAF distributions from the federally funded Section 8 Housing Assistance Payment Program.

Affordable Housing Assistance Program – Accounts for loans receivable funded for the use of down payment assistance, rental assistance, low-interest financing, land acquisition, new construction, rehabilitation constructions, and reconstruction.

### **Notes to Combined Financial Statements**

June 30, 2025

### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Economic Development Bond Guaranty Program

**Economic Development Bond Guaranty Program** – Accounts for guaranty fees collected, interest earned on investments, and disbursements made in connection with bond guaranties provided by the Authority, as well as the proceeds from the sale of development revenue bonds issued by the Authority and guaranteed by the Bond Guaranty Fund, the debt service requirements of the bonds, and related loans and leases to private companies. The Bond Guaranty Fund was created by Act 505 of 1985, which authorized a grant of \$6 million from the State treasurer (which was subsequently repaid by the Authority) for the purpose of enhancing and supporting the creditworthiness of bonds and other debt instruments guaranteed by the Authority. At June 30, 2025, the fund had cash and cash equivalents and investments totaling \$18.5 million in the reserve account to collateralize Authority-guaranteed bonds and future issues under the bond guaranty program.

State Facilities and Amendment 82 Programs

State Facilities Programs – Accounts for the proceeds from the sale of development revenue bonds; the debt service requirements of the bonds, and related loans and leases to public and government bodies within the State; and includes certain assets not owned and related obligations not owed by the Authority.

Amendment 82 Programs – Accounts for the proceeds from the sale of general obligation bonds of the State as authorized under Amendment 82 of the Arkansas Constitution; related loans and leases to private institutions and government bodies within the State, and includes certain assets not owned and related obligations not owed by the Authority.

Other Economic Development Programs

State Small Business Credit Initiative Program – The ARPA reauthorized and amended the Small Business Jobs Act of 2010, codified at 12 U.S.C. § 5701 et seq., to provide \$10 billion to fund the State Small Business Credit Initiative ("SSBCI") as a response to the economic effects of the COVID-19 pandemic. SSBCI is a federal program administered by the U.S. Department of the Treasury that was created to strengthen capital programs that support private financing to small businesses, including capital access programs and other credit support programs (loan guarantees, loan participations, and venture capital investment programs) of eligible jurisdictions (i.e., states, the District of Columbia, territories, Tribal governments, and eligible municipalities).

Arkansas was awarded a potential allocation of \$81.6 million to support seven programs: Arkansas Capital Access Program, ADFA Bond Guaranty/Loan Participation Program, ADFA DBE MWOBE - Loan Mobilization Revolving Fund, ADFA Small Business Revolving Loan Guaranty Program, ADFA Bond Guaranty/CDFI Loan Participation Program, and two programs to be carried out by the AVCIT: AVDF and AVC. The first tranche in the amount of \$24.0 million was received on December 16, 2022.

### **Notes to Combined Financial Statements**

June 30, 2025

### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Other Economic Development Programs – Accounts for loan reserve programs, such as Capital Access and Disadvantaged Business Enterprise.

Tobacco Settlement Revenue Bonds Program

**Tobacco Settlement Revenue Bonds Program** – Accounts for the proceeds from the sale of tobacco settlement revenue bonds and the debt service requirements of the bonds and related disbursements of bond proceeds to participating colleges to be used to fund the construction and equipping of projects outlined by the Arkansas Tobacco Settlement Funds Act of 2000, as supplemented by Act 9 of the First Extraordinary Session of 2006 of the 85<sup>th</sup> General Assembly.

Student Loan Programs

**Student Loan Programs** – To provide private student loans at below-market interest rates to students and families, provide fee-based default management services to Arkansas colleges and universities, along with other financial aid office support services, and provide free financial literacy and college planning services to Arkansas students and families.

General Fund Program

General Fund Program – Accounts for direct obligations of the Authority; revenue earned by the Authority for issuing and administering various programs; operating expenses of the Authority; special initiatives of the Authority, such as direct loan programs, funding down payment assistance, and warehousing mortgage-backed securities created by its Single Family Housing Programs; and money or residual assets, such as investments and mortgages, transferred from other funds to the extent such transfers are permitted by the resolutions.

- e. **Estimates** The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflow and outflow of resources and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- f. Cash and cash equivalents The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2025, cash equivalents of \$377.6 million consisted primarily of money market mutual funds with variable interest rates.
- g. **Investments and investment income** Investments are carried at fair value with the exception of equity investments held by AVCIT.

### **Notes to Combined Financial Statements**

June 30, 2025

### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Equity investments held by the AVCIT are carried at cost. The net accumulated earnings of individual investments subsequent to the date of acquisition are recognized by AVCIT only to the extent distributed as dividends. A decrease in the carrying value of an investment is recognized when a series of operating losses of an individual investment or other factors indicate that an other than temporary decline in value below cost has occurred.

Investment income includes dividend and interest income, realized gains and losses on investments, if any, and the net change for the year in the fair value of investments carried at fair value.

The fair value of the Authority's investments at June 30, 2025 was less than the cost basis by \$5.7 million.

h. **Loans** – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, and the allowance for loan losses. For loans amortized at cost, interest income is accrued based on the unpaid principal balance.

Generally, loans are placed on nonaccrual status at 180 days past due. Past due status is based on the contractual terms of the loan. All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income unless the loan is well secured and in the process of collection. The interest on these loans is accounted for on the cashbasis or cost recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, and future payments are reasonably assured.

i. Allowance for loan losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Actual loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired and additional loans specifically reviewed by management. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the Authority's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Impaired loans are evaluated as part of the review of the allowance for loan losses. A loan is considered impaired when, based on current information and events, it is probable that the Authority will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions, and other relevant factors that affect repayment of the loans.

- j. **Income taxes** As an essential government function of the State, the Authority is exempt from income taxes under Section 115 of the IRC and a similar provision of state law.
- k. Capital assets Premises and equipment are carried at cost, less accumulated depreciation. Depreciation for financial statement purposes is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years. The Authority defines capital assets as assets with an initial, individual cost of more than \$5 thousand and a life greater than one year.
- 1. **Pensions** For purposes of measuring the net pension liability, deferred outflow of resources, and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System ("APERS"), and additions to/deductions from APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- m. **Postemployment benefits other than pensions** For purposes of measuring the net other postemployment benefits ("OPEB") liability, deferred inflows of resources, and deferred outflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they were determined by a third-party actuarial report on the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Notes to Combined Financial Statements**

June 30, 2025

## 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

- n. **Deferred outflow/inflow of resources** The Authority reports increases in net position that relate to future periods as deferred outflow of resources in a separate section of its combined statement of net position. The Authority reports decreases in net position that relate to future periods as deferred inflow of resources in a separate section of its combined statement of net position. These amounts will be amortized as pension and OPEB expense over future periods as shown in Notes 9 and 10.
- o. **Deposits against financing arrangements** Deposits against financing arrangements represent debt service funds and interest earned on funds created by trust indentures associated with bond issuances that are held by the Authority to be used by the borrower to pay debt service to the Authority. If not used to pay debt service, these funds are returned to the borrower at the end of the financing arrangement.
- p. Contract obligations Contract obligations consist of payables on contracts the Authority entered into with the Arkansas Department of Corrections ("ADC"), a software subscription service agreement to administer the HAF program, and the remaining balance of the consulting service agreement for the HAF program.
- q. **Unearned guaranty fee** The Authority receives guaranty fees from borrowers who participate in the Bond Guaranty Fund Programs. Nonrefundable fees are amortized into income ratably over the term of the respective programs.
- r. **Conduit debt obligations** Conduit debt issued by the Authority is recorded on the Authority's combined statement of net position if either (a) the Authority has a vested interest in the residual value of the bond issue after its retirement or (b) the Authority guarantees the debt through the Bond Guaranty Fund.

Additionally, the Authority reports conduit debt obligations of entities included in the State of Arkansas reporting entity on its combined statement of net position. At June 30, 2025, the principal balance of these bonds included on the Authority's combined statement of net position totaled \$252.5 million.

s. **Net position** – Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources on the accompanying combined statement of net position. Net position is classified in four components:

<u>Restricted expendable by bond resolution and programs</u> – Represents those funds restricted within the respective bond resolution or by specific provisions of the programs.

<u>Restricted, nonexpendable, and minority interest</u> – Represents the equity interest of the Component Unit held by a minority participant.

<u>Investment in capital assets</u> – Represents the balance of capital assets, net of depreciation. No related debt exists.

### **Notes to Combined Financial Statements**

June 30, 2025

### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

<u>Unrestricted</u> – Represents those funds used at the discretion of the Authority's Board of Directors to complement bond and loan programs and to provide for the Authority's operations.

The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

## 2. **Deposits and Investments**

Deposits

The Authority – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law, including the State Board of Finance's Management of Cash Funds Rule 2012-A, the Authority's various bond indentures, and the Authority's general fund investment policy. Deposits are collateralized for those amounts exceeding federal depository insurance, typically with obligations of the U.S. Department of the Treasury, U.S. agencies or instrumentalities, municipal bonds, or bank purchase agreements having an aggregate value at least 105% of the amount of the deposits.

At June 30, 2025, the carrying value of the Authority's deposits was \$13.4 million. The balances, per the bank statements, totaled \$13.5 million. Of those deposits, \$92 thousand were exposed to custodial credit risk.

(In thousands)
Uninsured and uncollateralized

\$ 92

The uninsured and uncollateralized balance represents deposits with the Federal Home Loan Bank ("FHLB") of Dallas.

Investments

**The Authority** — The Authority may legally invest in direct obligations of, and other obligations guaranteed as to principal by the U.S. Department of the Treasury and U.S. agencies and instrumentalities, mortgage-backed securities, guaranteed investment contracts, municipal bonds, and bank repurchase agreements.

### **Notes to Combined Financial Statements**

### June 30, 2025

## 2. <u>Deposits and Investments</u> (cont.)

At June 30, 2025, the Authority had the following investments and maturities:

|                            |     | Maturities in Years |    |              |    |               |    |             |    |         |
|----------------------------|-----|---------------------|----|--------------|----|---------------|----|-------------|----|---------|
|                            | Les | s than 1            |    | <u>1 - 5</u> |    | <u>6 - 10</u> | Mo | ore than 10 |    | Total   |
| (In thousands)             |     |                     |    |              |    |               |    |             |    |         |
| U.S. agencies obligations  | \$  | 4,951               | \$ | 42,677       | \$ | 915           | \$ |             | \$ | 48,543  |
| Mortgage-backed securities |     | 20                  |    | 3,630        |    | 13,549        |    | 161,370     |    | 178,569 |
| Mutual bond funds          |     | 387                 |    | 565          |    | 266           |    | 1,201       |    | 2,419   |
|                            |     |                     |    |              |    |               |    |             |    |         |
|                            | \$  | 5,358               | \$ | 46,872       | \$ | 14,730        | \$ | 162,571     | \$ | 229,531 |

Component Unit – The mission of ACVIT is to increase the availability of equity and near-equity capital for emerging, expanding, relocation, and restructuring enterprises in the State, with the ultimate goal of strengthening the State's economic base and creating jobs. ACVIT can legally invest in equity capital and near equity capital and was created to invest in such. There are no scheduled maturities for these investments, nor are they rated investments. There is no limit on the amount that may be invested in any one company. There is only one investment that represented 5% or more of the total equity investments. This company focuses on diagnostic health testing, which is 6.67% of the total investments balance as of June 30, 2025. Total equity investments for ACVIT at June 30, 2025 were \$21.0 million.

a. Interest rate risk – As a means of limiting its exposure to fair value losses due to rising interest rates, the Authority's investments typically match the term of the corresponding bonds or, in the case of general funds, limit the maturity to no greater than 15 years for municipal bonds and seven years for treasuries, agencies, and mortgage-backed securities.

The Authority invests in various asset and mortgage-backed securities. These securities are reported at fair value in the combined statement of net position. The Authority invests in these securities to enhance yields on investments. Changes in market interest rates could affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

b. Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority complies with various trust indentures or internal investment policy whereby investments and debt securities are typically rated "A" or higher. The Authority's investments in U.S. agencies obligations and mortgage-backed securities not directly guaranteed by the U.S. government were primarily rated "AA+" by Standard & Poor's ("S&P's") and "Aaa" by Moody's Investors Service at June 30, 2025. The Authority's amounts in money market mutual funds, or investments of those funds, were primarily rated "AAAm" by S&P's and "Aaa" by Moody's Investors Service.

### **Notes to Combined Financial Statements**

## June 30, 2025

## 2. <u>Deposits and Investments</u> (cont.)

- c. Custodial credit risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments in mutual funds and guaranteed investment contracts are not classified by custodial risk category as they are not supported by securities in physical or book entry form.
- d. Concentration of credit The Authority places no limit on the amount that may be invested in any one issuer. Investments of the Authority (not guaranteed by the U.S. government or considered a mutual fund) representing 5% or more of total investments at June 30, 2025 are as follows:

| <u>Issuer</u>            | <u>Fa</u> | <u>ir Value</u> | <u>Percentage</u> |
|--------------------------|-----------|-----------------|-------------------|
| (In thousands)           |           |                 |                   |
| Federal Farm Credit Bank | \$        | 20,992          | 9.15%             |
| FHLB                     |           | 25,657          | 11.18%            |

Summary of Carrying Values

The carrying values of deposits, money market mutual funds, the State Treasurer Money Management Trust Fund ("MMTF"), and investments are included on the accompanying combined statement of net position as follows:

|                           |          |                 | Component   |        |  |  |
|---------------------------|----------|-----------------|-------------|--------|--|--|
|                           | <u>A</u> | <u>uthority</u> | <u>Unit</u> |        |  |  |
| (In thousands)            |          |                 |             |        |  |  |
| Carrying values           |          |                 |             |        |  |  |
| Deposits                  | \$       | 13,415          | \$          | 1,318  |  |  |
| Money market mutual funds |          | 270,503         |             | -      |  |  |
| State Treasurer MMTF      |          | 94,402          |             | -      |  |  |
| Investments               |          | 229,531         |             | 20,982 |  |  |
|                           |          |                 |             |        |  |  |
| <b>Y</b>                  | \$       | 607,851         | \$          | 22,300 |  |  |

### **Notes to Combined Financial Statements**

June 30, 2025

## 2. Deposits and Investments (cont.)

Included in the following combined statement of net position captions:

|                                |                  | Con | nponent     |
|--------------------------------|------------------|-----|-------------|
|                                | <u>Authority</u> |     | <u>Unit</u> |
| (In thousands)                 | 6                |     |             |
| Current assets                 |                  |     |             |
| Cash and cash equivalents      | \$ 377,558       | \$  | 1,318       |
| Current portion of investments | 2,989            |     | -           |
| Noncurrent assets              |                  |     |             |
| Investments                    |                  |     |             |
| Unrestricted                   | 44,744           |     | -           |
| Restricted                     | 182,560          |     | 20,982      |
|                                |                  |     |             |
|                                | \$ 607,851       | \$  | 22,300      |

The Authority's investments above are carried at their estimated fair market value. Unrealized gains and losses are included in investment income on the accompanying combined statement of revenues, expenses, and changes in net position and combined statement of cash flows. The Authority recorded unrealized gains of \$2.86 million for fiscal year 2025. As discussed in Note 11 for federated treasury obligations, money market obligations, and cash management fund, the carrying value approximates fair value. The Component Unit investments are carried at historical cost less any impairments. During the year ended June 30, 2025, the Component Unit recorded impairments of approximately \$2.4 million.

### **Notes to Combined Financial Statements**

### June 30, 2025

## 3. Loans and Direct Financed Leases

The following presents the breakdown of the Authority's portfolio of loans receivable:

The Authority

|   |                |           | Loans      |                 |                    |
|---|----------------|-----------|------------|-----------------|--------------------|
|   |                |           | Net of     | Stated          |                    |
| Type of Loan                                  | <u>Balance</u> | Allowance | Allowance  | Interest Rate   | <u>Impairments</u> |
| Federal Housing Programs                      | \$ 182,811     | \$ 72,098 | \$ 110,713 | 0.00% to 6.25%  | \$ 82,692          |
| Multi-Family Programs                         | 6,012          | 2,853     | 3,159      | 0.00% to 4.00%  | 2,502              |
| Economic Development Bond<br>Guaranty Program | 20,409         | 1,982     | 18,427     | 0.00% to 6.00%  | 3,080              |
| State Facilities and Amendment<br>82 Programs | 248,060        | - ^       | 248,060    | 1.60% to 5.00%  | -                  |
| Other Economic Development<br>Programs        | 2,290          | 604       | 1,686      | 1.00% to 3.00%  | 758                |
| Tobacco Settlement Revenue<br>Bonds Program   | 68,110         | -         | 68,110     | 4.89% to 5.10%  | -                  |
| General Fund Program                          | 55,984         | 3,124     | 52,860     | 0.00% to 7.875% | 359                |
| Student Loan Programs                         | 19,177         | 1,315     | 17,862     | 2.95% to 7.50%  |                    |
| Totals  | \$ 602,853     | \$ 81,976 | \$ 520,877 |                 | \$ 89,391          |

- a. **Federal Housing Programs** Includes loans funded by federal agencies, mainly HUD, and are either for multi-family housing or single-family housing loan assistance. The programs offer different types of loan structures, such as deferred loans and surplus cash loans, as well as loans with below market interest rates and standard amortization.
- b. **Economic Development Bond Guaranty Program** Loans and leases to private companies for financing the acquisition or expansion of facilities are collateralized by liens on and security interests in collateral granted by the companies and by guaranty agreements between the Authority and one or more guarantors. To a limited extent, and only when specified by a specific trust indenture, the payment of principal and interest on the bonds is guaranteed by the Authority under the ADFA Bond Guaranty Act (Act 505 of 1985).

Additionally, the Bond Guaranty Fund guarantees principal and interest on revenue bonds issued by municipalities within the State for economic development purposes. At June 30, 2025, revenue bonds outstanding of \$10.74 million were guaranteed by the Bond Guaranty Fund. Furthermore, the Bond Guaranty Fund guarantees bond anticipation notes. At June 30, 2025, the principal amount on these notes totaled \$1.3 million outstanding, with \$1.1 million guaranteed.

### **Notes to Combined Financial Statements**

June 30, 2025

## 3. Loans and Direct Financed Leases (cont.)

- c. State Facilities Programs Includes financing activities with various state agencies.
- d. **Tobacco Settlement Revenue Bonds Program** Includes a loan agreement between the Authority and the University of Arkansas's Board of Trustees (the "University"), whereby the University agrees to provide for repayment in the event tobacco settlement revenues are not available.
- e. **General Fund Program** Includes loans that are residual assets of the Single Family Mortgage Purchase Program, Multi-Family Mortgage Purchase Program, or funded by the general fund as special initiatives of the Authority. Mortgage loans purchased by the Authority under the Single Family Mortgage Purchase Program are typically Federal Housing Administration insured, guaranteed by USDA Rural Development, or U.S. Department of Veterans Affairs guaranteed. Included in the general fund program is a \$1.7 million loan to the component unit.
- f. **Student Loan Programs** Includes private student loans with below-market interest rates for Arkansas residents attending higher education institutions either in Arkansas or out-of-state. Non-Arkansas residents are eligible to receive private student loans from the Authority when attending an eligible Arkansas higher education institution.
- g. **Delinquent loans** At June 30, 2025, accruing loans delinquent 180 days or more, where payment is anticipated due to current payment activity, totaled approximately \$218 thousand. At June 30, 2025, nonaccruing loans were \$11.9 million.

Component Unit – AVCIT

At June 30, 2025, the Component Unit had no nonaccruing loans.

h. **Direct financing leases** – The Authority is the lessor under various leases whereby the Authority issued bonds for the acquisition or construction of certain facilities and then leased the facilities to other state agencies or private companies. At the end of the lease terms, these leases either transfer ownership to the other agencies or contain bargain purchase options.

## 4. Loan to Component Unit

**AVCIT** 

The Authority finances a line of credit to the AIF, a blended component unit of the AVCIT, and the total is not to exceed \$24 million. The balance was \$1.7 million for the year ended June 30, 2025 (see Note 7).

## **Notes to Combined Financial Statements**

June 30, 2025

## 5. Capital Assets

Premises and equipment activity consists of the following:

|                               | June | 30, 2024 | A  | dditions    | nsfers and<br>isposals | June 3 | 0, 2025 |
|-------------------------------|------|----------|----|-------------|------------------------|--------|---------|
| (In thousands)                |      |          |    | <del></del> |                        |        |         |
| Premises and equipment        | \$   | 4,047    | \$ | -           | \$<br>72               | \$     | 4,119   |
| Less accumulated depreciation |      | 1,926    |    | 84          | 29                     |        | 2,039   |
|                               |      |          |    |             | $A \rightarrow$        |        |         |
| Capital assets, net           | \$   | 2,121    | \$ | 84          | \$<br>43               | \$     | 2,080   |

Depreciation expense was approximately \$84 thousand for the year ended June 30, 2025.

## 6. Noncurrent Liabilities

Changes in noncurrent liabilities, other than bonds and notes payable discussed in Note 7, consist of the following:

The Authority

| of GASB June 30,                                |                  |           |             | D        |
|---|------------------|-----------|-------------|----------|
|   |                  |           |             | Due      |
| June 30, Statement 2024,                        |                  |           | June 30,    | Within   |
| <u>2024</u> <u>No. 101</u> <u>As Restated</u>   | <u>Increases</u> | Decreases | <u>2025</u> | One Year |
| (In thousands)                                  |                  |           |             |          |
| Unearned fees \$ 727 \$ - \$ 727                | \$ -             | \$ 207    | \$ 520      | \$ 147   |
| Contract obligations 6,758 - 6,758              | 2,000            | 2,874     | 5,884       | 3,294    |
| Deposits against                                |                  |           |             |          |
| financing                                       |                  |           |             |          |
| arrangements 49,127 - 49,127                    | 27,845           | 25,117    | 51,855      | -        |
| Deferred gain on                                |                  |           |             |          |
| refinancing sale of                             |                  |           |             |          |
| asset 243 - 243                                 | -                | 22        | 221         | 33       |
| OPEB liability 1,915 - 1,915                    | -                | -         | 1,915       | 83       |
| Pension liability 4,138 - 4,138                 | -                | 619       | 3,519       | -        |
| Compensated absences 412 577 989                | 219              | -         | 1,208       | 1,140    |
| Other liabilities 1 1                           | 2,342            | 2         | 2,341       |          |
|   |                  |           |             | ·        |
| <u>\$ 63,321</u> <u>\$ 577</u> <u>\$ 63,898</u> | \$ 32,406        | \$ 28,841 | \$ 66,323   | \$ 4,697 |

## **Notes to Combined Financial Statements**

## June 30, 2025

## 7. **Bonds and Notes Payable**

Bonds and notes payable consist of the following:

The Authority

| (In thousands)                                      |            |
|---|------------|
| Total Single Family bonds payable, with interest    | P ( )      |
| rates ranging from 2.49% - 6.1% and final           |            |
| maturity at varying dates through January 1, 2056.  | \$ 187,825 |
| Plus unamortized premiums                           | 3,391      |
|   |            |
| Total Single Family bonds payable, net              | 191,216    |
| Total Federal Housing notes payable, with interest  |            |
| rates of 1.00% and final maturity at varying        |            |
| dates through July 29, 2045.                        | 2,960      |
|   | ŕ          |
| Total Economic Development bonds payable,           |            |
| guaranteed by the Bond Guaranty Fund, with          |            |
| interest rates ranging from 2.25% - 6.00%           |            |
| and final maturity at varying dates through         |            |
| January 1, 2040.                                    | 23,327     |
|   |            |
| Total State Facilities bonds payable, with interest |            |
| rates ranging from 1.6% - 5.00% and final           |            |
| maturity at varying dates through December 1,       |            |
| 2050.   | 252,516    |
|   |            |
| Tobacco bonds payable, with interest rates          |            |
| ranging from 4.89% - 5.10% and final maturity       |            |
| at varying dates through July 1, 2046.              | 68,110     |
| Total all bonds and notes payable, net              | \$ 538,129 |
| Total all bolids and notes payable, net             | ψ 330,127  |
| Component Unit                                      |            |
| (In thousands)                                      |            |
| Note payable to the Authority, with an interest     |            |
| rate of 3.50% and maturing in March 2027.           | \$ 2,301   |

## **Notes to Combined Financial Statements**

June 30, 2025

## 7. Bonds and Notes Payable (cont.)

Activity in bonds and notes payable consists of the following:

| The  | Autho    | ority            |
|------|----------|------------------|
| 1110 | 21 W U U | <i>)   i i v</i> |

| (In thousands)       |    | Beginning<br>Balance |    | Additions<br>Including<br><u>Accretion</u> | <u>R</u>  | eductions |    | Ending<br>Balance | A  | nount Due<br>Within<br>One Year |
|----------------------|----|----------------------|----|--|-----------|-----------|----|-------------------|----|---------------------------------|
| Bonds payable        | \$ | 429,867              | \$ | 128,294                                    | \$        | (26,383)  | \$ | 531,778           | \$ | 24,484                          |
| Notes payable        |    | 3,102                |    | <u>-</u>                                   |           | (142)     |    | 2,960             | ·  | 143                             |
|                      |    | 432,969              |    | 128,294                                    |           | (26,525)  |    | 534,738           |    | 24,627                          |
| Unamortized premiums |    | 546                  |    | 2,930                                      |           | (85)      | _  | 3,391             |    |                                 |
| Total                | \$ | 433,515              | \$ | 131,224                                    | \$        | (26,610)  | \$ | 538,129           | \$ | 24,627                          |
| Component Unit       |    |                      |    |  |           |           |    |                   |    |                                 |
| •                    |    | Beginning<br>Balance |    | Additions                                  | <u>Re</u> | eductions |    | Ending Balance    |    | nount Due<br>Within<br>One Year |
| (In thousands)       | _  |                      | _  |  |           |           | _  |                   |    |                                 |
| Note payable         | \$ | 2,772                | \$ | 126  | \$        | (597)     | \$ | 2,301             | \$ | 2,301                           |

The future amount of principal and interest due is undeterminable at this time because the balances will fluctuate with draws needed for capital calls and reductions for distributions by investee companies.

### **Notes to Combined Financial Statements**

### June 30, 2025

## 7. Bonds and Notes Payable (cont.)

The Authority

Future amounts required for principal and interest on all bonds and notes payable at June 30, 2025 were as follows:

| (In thousands)       | <u>Principal</u> | <u>Interest</u> |
|----------------------|------------------|-----------------|
| Fiscal Year Ending   |                  |                 |
| 2026                 | \$ 24,627        | \$ 16,850       |
| 2027                 | 25,780           | 17,216          |
| 2028                 | 30,503           | 16,351          |
| 2029                 | 23,597           | 15,516          |
| 2030                 | 23,703           | 14,877          |
| 2031 - 2035          | 133,105          | 63,924          |
| 2036 - 2040          | 112,442          | 46,401          |
| 2041 - 2045          | 91,846           | 31,924          |
| 2046 - 2050          | 58,858           | 19,087          |
| 2051 - 2055          | 48,710           | 7,174           |
| 2056 - 2059          | 3,075            | 93              |
| Unamortized premiums | 3,391            | -               |
| Accreted interest    | (41,508)         | 41,508          |
| Total                | \$ 538,129       | \$ 290,921      |

Under certain bond resolutions, the Authority has the option to redeem bonds early at various premium rates. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for 6 to 10 years. Certain special redemptions, as governed by the bond resolutions, are permitted or required prior to such time. During fiscal 2025, \$3.5 million of bonds were redeemed at par early.

The bonds and notes are collateralized, as described in the applicable bond and note resolutions, by the revenues, monies, investments, mortgage loans, and other assets in the funds and accounts established by the respective bond and note resolutions.

During the normal course of business, the Authority issues Economic Development Revenue Bonds and Multi-Family Housing Revenue Bonds on behalf of private companies within the State. The bonds are payable solely from, and secured by, a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, have been excluded from the Authority's combined financial statements. At June 30, 2025, the bonds outstanding issued under these programs aggregated \$2.8 billion.

### **Notes to Combined Financial Statements**

**June 30, 2025** 

### 8. Concentration of Risk in Lending and Loan Receivable

The Authority, through its normal lending activity, originates and maintains loans receivable that are concentrated primarily in Arkansas. The Authority's policy calls for collateral or other forms of repayment assurance to be received from the borrower at the time of loan origination. Such collateral or other forms of repayment assurance are subject to changes in economic value due to various factors beyond the control of the Authority, and such changes could be significant.

The Authority's private student loans are not collateralized; therefore, uncollectible student loans are expected to be covered with loan loss reserves.

Additionally, the Authority is dependent on private insurers for recovery of loan principal should a borrower or borrowers not pay the principal and should any collateral prove to be insufficient in value to provide for full recovery of principal and accrued interest. This dependency is concentrated in a limited number of insurers, and the Authority's ability to monitor closely the insurers' financial condition is limited.

### 9. Retirement Plan

Plan Descriptions

The officials and employees of the Authority participate in a statewide, cost sharing, multiple employer, defined benefit pension plan administered by APERS. There is no legal obligation imposed upon the member agencies relative to the operation of APERS other than the payment of a percentage of the gross salaries of eligible employees participating in the Plan as an employer contribution. APERS consists of both a contributory plan and a noncontributory plan. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978 to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. Beginning on July 1, 2022, the contribution rate was increased by .25% and will increase each July 1st until a max of 7% is reached. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005. Employees joining APERS prior to July 1, 1997 are vested after 10 years of employment. Beginning July 1, 1997, the vesting period for new members was reduced to five years; however, this act was not retroactive. APERS is audited separately, and included therein is financial data and trend information, which gives an indication of the extent to which APERS is accumulating sufficient assets to pay benefits when due.

Eligible employees of the Authority are provided with pensions through APERS, administered by APERS's Board of Trustees. APERS is a cost sharing multiple employer defined benefit plan. Benefit provisions are established and amended by Arkansas Code Title 24.

The plan issues a publicly available financial report, which may be obtained by contacting:

Arkansas Public Employees Retirement System 124 W. Capitol Avenue, Suite 400 Little Rock, Arkansas 72201-3704 (501) 682-7800 http://www.apers.org/publications

### **Notes to Combined Financial Statements**

June 30, 2025

### 9. Retirement Plan (cont.)

Benefits Provided

APERS provides retirement, disability, and death benefits and annual adjustments to plan members and beneficiaries, as follows:

The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The re-determined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

### Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates are as follows:

Contribution provisions applicable to the participating employers are established by APERS's Board of Trustees and should be based on an independent actuary's determination of the rate required to fund APERS. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2024, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 67.13%. Contributions to APERS from the Authority were approximately \$509 thousand for the year ended June 30, 2025.

During a member's participation in APERS deferred retirement option plan, the employer continues to contribute and the employee ceases to contribute.

## Net Pension Liability

The collective net pension liability of \$2.5 billion was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employers' share of contributions to the pension plan relative to the total contributions of all participating employees. At June 30, 2024, the Authority's proportion was 0.1414% for APERS. At June 30, 2025, the Authority reported liabilities of \$3.5 million for its proportionate share of the net pension liability and has been recognized in the Authority's accompanying combined statement of net position.

### **Notes to Combined Financial Statements**

## June 30, 2025

## 9. Retirement Plan (cont.)

The net pension liability in the cost-sharing pension plan at June 30, 2025, using the 2024 measurement date, is as follows:

|   | Total            |                |
|---|------------------|----------------|
|   | APERS            | ADFA's         |
|   | Pension          | Liability      |
|   | <u>Liability</u> | <u>Portion</u> |
| (In thousands)                                      |                  |                |
| Total pension liability                             | \$ 13,533,079    | \$ 19,140      |
| Plan net position                                   | 11,044,957       | 15,621         |
|   |                  |                |
| Net pension liability                               | \$ 2,488,122     | \$ 3,519       |
|   |                  |                |
| Plan net position as a % of total pension liability | 81.61%           | 81.61%         |

Pension Liabilities, Pension Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources to Pensions

For the year ended June 30, 2025, the Authority recognized pension expense of approximately \$415 thousand. For the year ended June 30, 2025, the Authority reported deferred outflow of resources and deferred inflow of resources related to pensions as follows:

|   | De  | ferred  | De  | ferred |
|---|-----|---------|-----|--------|
|   | Out | flow of | Inf | low of |
|   | Res | sources | Res | ources |
| (In thousands)  |     |         |     |        |
| Differences between expected and actual experience            | \$  | 137     | \$  | 144    |
| Changes of assumptions  |     | 123     |     | -      |
| Net differences between projected and actual earnings on      |     |         |     |        |
| pension plan investments                                      |     | 102     |     | -      |
| Changes in proportion and differences between the Authority's |     |         |     |        |
| contributions and proportionate share of contributions        |     | 16      |     | 64     |
| The Authority's contributions subsequent to the measurement   |     |         |     |        |
| date  |     | 509     |     | -      |
|   |     |         |     |        |
| Total   | \$  | 887     | \$  | 208    |
|   |     |         |     |        |

### **Notes to Combined Financial Statements**

June 30, 2025

## 9. Retirement Plan (cont.)

At June 30, 2025, the Authority reported approximately \$509 thousand as deferred outflow of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

| (In thousands)     |                |
|--------------------|----------------|
| Fiscal Year Ending |                |
| 2026               | \$ (80)        |
| 2027               | \$ (80)<br>489 |
| 2028               | (155)          |
| 2029               | (155)<br>(84)  |
|                    |                |
|                    | \$ 170         |

## Actuarial Assumptions

For fiscal 2025, the total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, (a) an inflation rate of 3.25%, (b) salary increases in the range of 3.25% to 11.00%, including inflation, (c) an investment rate of return of 7.00%, and (d) the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables, were used. The healthy retiree mortality tables, for postretirement mortality, used in evaluating allowances to be paid were 114% for males and 132% for females. The disabled retiree mortality tables, for postretirement disabled mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The preretirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the tables described above.

The actuarial assumptions used in the June 30, 2024 valuation were based on the period July 1, 2017 through June 30, 2022.

## Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for the 10-year period from 2024 - 2033 were provided by the plan investment consultant.

### **Notes to Combined Financial Statements**

### June 30, 2025

## 9. Retirement Plan (cont.)

For each major asset class that is included in the pension plans' target asset allocation, these best estimates are summarized in the following table:

|                       |            | Long-Term      |
|-----------------------|------------|----------------|
|                       | Target     | Expected       |
| Asset Class           | Allocation | Rate of Return |
|                       |            |                |
| Broad domestic equity | 39%        | 5.03%          |
| International equity  | 17%        | 6.34%          |
| Real assets           | 16%        | 4.51%          |
| Private equity        | 5%         | 9.00%          |
| Hedge funds           | 29%        | 3.63%          |
| Domestic fixed        | 21%        | 3.38%          |
|                       |            |                |
| Total                 | 100%       | )              |

### Discount Rate

The discount rate for the plan was determined as follows:

The discount rate used to measure the total pension liability was 7.00% for the year ended June 30, 2025. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for the plan calculated using the discount rate stated above, as well as what the Authority's proportionate share of net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

|                                     | Current  1% Decrease Discount Rate 1 |       |    | 1%    | <u>Increase</u> |       |
|-------------------------------------|--------------------------------------|-------|----|-------|-----------------|-------|
| APERS - current discount rate 7.00% | \$                                   | 6,005 | \$ | 3,519 | \$              | 1,470 |

### **Notes to Combined Financial Statements**

June 30, 2025

## 9. Retirement Plan (cont.)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the plan.

## 10. Postemployment Benefits Other Than Pensions

Plan Description

The Authority contributes to the single-employer defined benefit healthcare plan for eligible state employees, Arkansas State Employee Health Plan ("ASE") (administered by the Department of Finance and Administration – Employee Benefits Division).

Benefits Provided

The plan provides medical and prescription drug benefits to plan members and beneficiaries as established by state law Arkansas Code § 21-5-401 to § 21-5-414.

ASE covers state employees who are members of APERS and are eligible to be in ASE on their last day of employment and their dependents. Retirees and their spouses are eligible to continue participation in ASE until the death of each covered individual. Retirees who are Medicare eligible will have their benefits coordinated with Medicare Part A and B, with ASE being the secondary payer.

Employees Covered by Benefit Terms

The Authority had 43 active employees as of June 30, 2025. Inactive employees still receiving benefits are not maintained at each agency's level.

Annual OPEB Cost and Net OPEB Obligation

At June 30, 2025, the Authority reported the following liability as determined as of the date listed:

Measurement Total OPEB

<u>Date</u> <u>Liability</u>

June 30, 2025 \$ -

(In thousands)
Authority

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of the valuation date of June 30, 2025, calculated based on the discount rate and actuarial assumptions below. Any significant changes during the period have been reflected as prescribed by GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The actuarial valuations used are included in the State's report.

### **Notes to Combined Financial Statements**

June 30, 2025

## 10. Postemployment Benefits Other Than Pensions (cont.)

The discount rate was X.XX% and was based on the Bond Buyer 20-Bond GO Index. The inflation rate was X.XX% and salary increases, including both wage growth in addition to promotion and longevity, ranged from XX.XX% to X.XX% for ages ranging from 20 years to 65 years.

Mortality rates were based on the PUBG-2010 amount-weighted below-median income general, retiree, and disabled retiree mortality tables for males and females. Mortality rates are multiplied by XXX% for males and XXX% for females. The healthy annuitant tables are adjusted for fully generational mortality improvements using Scale MP-2021.

Long-Term Expected Rate of Return

Since there are no plan assets held in trust, the expected long-term rate of return is zero. Therefore, the required supplementary information associated with the schedule of contributions of investment returns is not included.

Changes in the Total OPEB Liability

The following table provides the changes in the total OPEB liability for the Authority:

|  | OPEB<br><u>bility</u> |
|--|-----------------------|
| (In thousands)                                 |                       |
| Balance - June 30, 2024                        | \$<br>1,915           |
| Changes for the current fiscal year            |                       |
| Service cost                                   | -                     |
| Interest                                       | -                     |
| Effect of plan changes                         | -                     |
| Effect of economic/demographic gains or losses | -                     |
| Changes in assumptions or other inputs         | -                     |
| Changes in proportion                          | -                     |
| Benefit payments                               | <br>_                 |
| Net changes                                    | <u>-</u>              |
| Balance - June 30, 2025                        | \$<br>1,915           |

### **Notes to Combined Financial Statements**

June 30, 2025

## 10. Postemployment Benefits Other Than Pensions (cont.)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate for the plan:

|                | 1% E  | Decrease         | Current Discount Rate |                  | 1% Increase |                  |
|----------------|-------|------------------|-----------------------|------------------|-------------|------------------|
|                |       | Total OPEB       |                       | Total OPEB       |             | Total OPEB       |
|                | Rate  | <u>Liability</u> | Rate                  | <u>Liability</u> | Rate        | <u>Liability</u> |
| (In thousands) |       |                  |                       |                  |             |                  |
| Authority      | 0.00% | \$ -             | 0.00%                 | \$ -             | 0.00%       | \$ -             |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates for the plan:

|                |                      | Current Health              |                      |
|----------------|----------------------|-----------------------------|----------------------|
|                | 1% Decrease          | Care Cost Trend Rate        | 1% Increase          |
|                | Total OPEB Liability | <b>Total OPEB Liability</b> | Total OPEB Liability |
| (In thousands) |                      |                             |                      |
| Authority      | 0.00% \$ -           | 0.00% \$ -                  | 0.00% \$ -           |

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2025, the Authority recognized OPEB expense for the plan as follows:

Total OPEB <u>Expense</u>

(In thousands)
Authority

### **Notes to Combined Financial Statements**

June 30, 2025

## 10. Postemployment Benefits Other Than Pensions (cont.)

At June 30, 2025, the Authority reported deferred outflow of resources and deferred inflow of resources related to OPEB for the plan:

|   | Authority                         |
|---|-----------------------------------|
|   | Deferred Deferred                 |
|   | Outflow of Inflow of              |
|   | <u>Resources</u> <u>Resources</u> |
| (In thousands)                                    |                                   |
| Difference between expected and actual experience | \$ - \$ -                         |
| Changes of assumptions and other inputs           |                                   |
|   |                                   |
| Total   | <u>\$</u> - <u>\$</u> -           |

Amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

| (In thousands)     |      |
|--------------------|------|
| Fiscal Year Ending |      |
| 2026               | \$ - |
| 2027               | -    |
| 2028               | -    |
| 2029               |      |
|                    |      |
| Total              | \$ - |

## 11. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level I Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level II Quoted prices in markets that are not active or inputs, which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level III Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

### **Notes to Combined Financial Statements**

June 30, 2025

## 11. Fair Value of Financial Instruments (cont.)

Recurring Measurements

The following table presents the fair value measurements of assets recognized on the accompanying combined financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

|                            |            | Quoted Prices in Active | Significant |              |
|----------------------------|------------|-------------------------|-------------|--------------|
|                            |            | Markets for             | Other       | Significant  |
|                            |            | Identical               | Observable  | Unobservable |
|                            |            | Assets                  | Inputs      | Inputs       |
|                            | Fair Value | (Level I)               | (Level II)  | (Level III)  |
| (In thousands)             |            |                         |             |              |
| U.S. agencies obligations  | \$ 48,543  | \$ -                    | \$ 48,543   | \$ -         |
| Mortgage-backed securities | 178,569    |                         | 178,569     | -            |
| Mutual bond funds          | 2,419      |                         | 2,419       |              |
|                            |            |                         |             |              |
|                            | \$ 229,531 | \$ -                    | \$ 229,531  | \$ -         |

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized on the accompanying combined financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2025.

### Investments

Where quoted market prices are available in an active market, securities are classified within Level I of the valuation hierarchy. The Authority did not have any Level I securities at June 30, 2025. Level II securities include U.S. Government and federal agencies, mortgage-backed securities, negotiable certificates of deposit, and mutual bond fund. If quoted market prices are not available, then fair values are estimated by an independent third-party pricing service using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one or a combination of observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data market research publications and are classified within Level II of the valuation hierarchy. In certain cases where Level I or Level II inputs are not available, securities are classified within Level III of the hierarchy. The Authority did not have any Level III securities at June 30, 2025.

### **Notes to Combined Financial Statements**

June 30, 2025

### 12. Commitments and Contingencies

The Authority

The Authority participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivable at June 30, 2025 may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded on the accompanying combined financial statements for such contingencies.

The Authority has \$16.7 million of amounts recorded as cash and investments on the accompanying combined statement of net position that may be disbursed to borrowers under loan and lease agreements closed prior to June 30, 2025.

Component Unit

Outstanding commitments to various funds/companies by the AVCIT were \$7.7 million for the year ended June 30, 2025.

From time to time, the Authority may be a defendant in legal actions related to its business operations and mission. While the final outcome of these legal actions may vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Authority's financial position.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workers' compensation claims; fiduciary liability; and fidelity for which the Authority either carries commercial insurance or participates in insurance through the State. There have been no settlements exceeding insurance coverage in the past three years.

The IRC of 1986 establishes rules and regulations for arbitrage rebates. The Authority has made provisions for revenues above the rebate limit, which must be remitted to the federal government.

In 2003, the Authority initiated funding for the AIF, an institutional fund of funds venture capital program created by the Arkansas General Assembly in 2001. The VCI Act authorizes the Authority to assist in increasing the availability of equity and near-equity capital for emerging, expanding, relocating, and restructuring enterprises in the state through the creation of an institutional partnership fund. The Bond Guaranty Fund is subject to the first \$10 million of losses incurred by the AIF. The funding is structured as a guaranteed line of credit with the Authority, and draws occur on an as-needed basis. The outstanding balance on the guaranteed line of credit was \$1.7 million as of June 30, 2025.

The Bond Guaranty Fund guarantees a letter of credit with a financial institution for up to \$3.75 million in the event of non-performance by the borrower. This guaranty is renewed annually.

### **Notes to Combined Financial Statements**

June 30, 2025

## 12. Commitments and Contingencies (cont.)

Third-Party Servicers

The Authority has contracted with and utilizes the services of Aspire Resources Inc. ("Aspire") to originate and service private student loans. The third party, Aspire, performs virtually all student loan servicing activities on behalf of the Authority, including maintenance of borrower files, payment processing, and processing loan applications. The Authority has contracted with EdFinancial Services, Inc. to perform a variety of administrative activities related to marketing the Authority's private student loan programs, providing fee-based support services to Arkansas financial aid offices, and certain other administrative functions on behalf of the Authority's Student Loan Programs.

### 13. **2025 Series B Bonds**

On August 7, 2025, the Authority issued 2025 Series B Bonds for \$65 million, at rates ranging between 2.95% - 5.50%, with a premium of \$1.5 million, and maturing on January 1, 2056. The proceeds from these bonds will be used to fund loans with a weighted-average mortgage interest rate of 5.788% per annum.

## 14. Subsequent Events

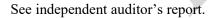
The Authority evaluated the events and transactions subsequent to its June 30, 2025 combined statement of net position date and determined there were no additional significant events, other than disclosed in Notes 1.a. and 13, to report through \_\_\_\_\_\_, 2025, which is the date the Authority issued its combined financial statements.

# Schedule of the Authority's Proportionate Share of the Net Pension Liability – Arkansas Public Employees Retirement System June 30, 2025 – June 30, 2016

|  | <u>2025</u>  | <u>2024</u>  | <u>2023</u>  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | 2019      | 2018         | <u>2017</u>  | <u>2016</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-----------|--------------|--------------|--------------|
| Authority's proportion of net pension liability  | 0.1414%      | 0.1420%      | 0.1403%      | 0.1525%      | 0.1700%      | 0.1785%      | 0.1790%   | 0.1996%      | 0.1880%      | 0.1941%      |
| Authority's proportionate share of the net pension liability   | \$ 3,519,034 | \$ 4,137,828 | \$ 3,783,369 | \$ 1,172,128 | \$ 4,868,576 | \$ 4,306,471 | 3,947,934 | \$ 5,156,742 | \$ 4,496,128 | \$ 3,575,061 |
| Authority's covered payroll, cash basis  | 3,335,804    | 3,318,249    | 2,944,747    | 2,948,277    | 3,366,431    | 3,418,710    | 3,394,031 | 3,250,192    | 3,408,161    | 3,444,062    |
| Authority's proportionate share of the net<br>pension liability as a percentage of its<br>covered-employee payroll | 105.49%      | 124.70%      | 128.48%      | 39.76%       | 144.62%      | 125.97%      | 116.32%   | 158.66%      | 131.92%      | 103.80%      |
| Plan fiduciary net position as a percentage of total pension liability   | 81.61%       | 77.94%       | 78.31%       | 93.57%       | 75.38%       | 78.55%       | 79.59%    | 75.65%       | 75.50%       | 80.39%       |

Information in this schedule has been determined as of the measurement date (June 30 of the year prior to the most recent fiscal year-end) of the Authority's net pension liability.

For 2025 through 2018, information for ASLA is included.



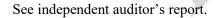
## Schedule of the Authority's Contributions – Arkansas Public Employees Retirement System

## For the Years Ended June 30, 2025 – June 30, 2016

|   | <u>2025</u> |      | <u>2024</u> | 2023         | <u>2023</u> |           |    | <u>2021</u> |    | <u>2020</u> | 20     | 2019   |    | 2018      |    | <u>2017</u> |    | <u>2016</u> |  |
|---|-------------|------|-------------|--------------|-------------|-----------|----|-------------|----|-------------|--------|--------|----|-----------|----|-------------|----|-------------|--|
| Contractually required contribution  Contributions in relation to the contractually required contribution | \$ 509,33   | 4 \$ | 492,223     | \$ 482,131   | \$          | 449,326   | \$ | 466,396     | \$ | 508,214     | \$ 5   | 23,322 | \$ | 494,459   | \$ | 471,153     | \$ | 493,947     |  |
|   | 509,33      | 4    | 492,223     | 482,131      |             | 449,326   | _  | 466,396     |    | 508,214     | 5      | 23,322 | _  | 494,459   | _  | 471,153     | _  | 493,947     |  |
| Contribution deficiency   | \$ -        | \$   |             | <u>\$</u> -  | \$          | -         | \$ | _           | \$ | <u>-</u>    | \$     |        | \$ |           | \$ |             | \$ |             |  |
| Authority's covered employee payroll  | \$ 3,335,80 | 4 \$ | 3,187,155   | \$ 3,318,249 | \$          | 2,944,747 | \$ | 2,948,277   | \$ | 3,366,431   | \$ 3,4 | 18,710 | \$ | 3,394,031 | \$ | 3,250,192   | \$ | 3,408,161   |  |
| Contributions as a percentage of covered employee payroll   | 15.2        | %    | 15.44%      | 14.53%       |             | 15.26%    | A  | 15.82%      |    | 15.32%      |        | 15.31% |    | 14.57%    |    | 14.50%      |    | 14.49%      |  |

Information in this schedule has been determined as of the Authority's most recent fiscal year-end.

For 2025 through 2018, information for ASLA is included.



### Schedule of Changes in Total Other Postemployment Benefits Liability

### For the Years Ended June 30, 2025 – June 30, 2018

(In Thousands)

### Plan

| Measurement date                                  | <u>2025</u> | <u>2024</u> | 2023     | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|----------|-------------|-------------|-------------|-------------|-------------|
| Service cost                                      | \$ -        | \$ 82       | \$ 90    | \$ 214      | \$ 206      | \$ 114 \$   | 104 \$      | 3 132       |
| Interest  | -           | 76          | 77       | 95          | 93          | 112         | 122         | 137         |
| Effect of plan changes                            | -           | -           | -        | (1,089.000) | -           | -           | -           | -           |
| Effect of economic/demographic gains or losses    | -           | 110         | 39       | (354)       | 12          | (108)       | 20          | (55)        |
| Changes in assumptions or other inputs            | -           | (310)       | (158)    | (946)       | (177)       | 1,020       | (305)       | (144)       |
| Changes in proportion                             | -           | (52)        | 49       | (33)        | 104         | 120         | (661)       | =           |
| Benefit payments                                  |             | (82)        | (93)     | (109)       | (92)        | (87)        | (94)        | (109)       |
| Net changes                                       | -           | (176)       | 4        | (2,222)     | 146         | 1,171       | (814)       | (39)        |
| Total OPEB liability - beginning                  | 1,915       | 2,091       | 2,087    | 4,309       | 4,163       | 2,992       | 3,806       | 3,845       |
|   |             |             |          |             |             |             |             |             |
| Total OPEB liability - ending                     | \$ 1,915    | \$ 1,915    | \$ 2,091 | \$ 2,087    | \$ 4,309    | \$ 4,163 \$ | 2,992 \$    | 3,806       |
| Covered employee payroll                          | \$ -        | \$ 3,187    | \$ 3,318 | \$ 2,945    | \$ 2,948    | \$ 3,366 \$ | 3,419 \$    | 3,394       |
| Total as a percentage of covered employee payroll | #DIV/0!     | 60.09%      | 63.02%   | 70.87%      | 146.17%     | 123.68%     | 87.51%      | 112.14%     |

The State implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," in fiscal year 2018. Information for the schedule was not available prior to fiscal year 2018.

### **Combining Statement of Net Position**

June 30, 2025

(In Thousands)

|   | Single          |            |              | Economic<br>Development | State<br>Facilities | Other           | Tobacco<br>Settlement |                |           |              |                   |
|---|-----------------|------------|--------------|-------------------------|---------------------|-----------------|-----------------------|----------------|-----------|--------------|-------------------|
|   | Family          | Federal    |              | Bond                    | and                 | Economic        | Revenue               | General        | Student   |              |                   |
|   | Housing         | Housing    | Multi-Family | Guaranty                | Amendment           | Development     | Bonds                 | Fund           | Loan      |              |                   |
| Assets and Deferred Outflow of Resources                                      | <u>Programs</u> | Programs   | Programs     | Program                 | 82 Programs         | <u>Programs</u> | <u>Program</u>        | Program        | Programs  | Eliminations | Total             |
| Current assets  |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| Cash and cash equivalents   | \$ 130,515      | \$ 34,696  | \$ 7,042     | \$ 16,880               | \$ 55,617           | \$ 18,409       | \$ 5,408              | \$ 67,408      | \$ 41,583 | \$ -         | \$ 377,558        |
| Accrued interest receivable   | 1,112           | 156        | 26           | 111                     | 833                 | 65              | 18                    | 639            | 523       | -            | 3,483             |
| Accounts receivable   | -               | 3,733      | -            | 40                      | 3                   | -               | -                     | 1,090          | 26        | (783)        | 4,109             |
| Current portion of  |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| Investments   | -               | -          | -            |                         | -                   | -               | -                     | 2,989          | -         | -            | 2,989             |
| Loans   | -               | -          | -            |                         | -                   | -               | -                     | 2,847<br>1,658 | -         | -            | 2,847<br>1,658    |
| Loans to Component Unit   |                 |            |              |                         |                     |                 |                       |                |           | <del></del>  |                   |
| Total current assets  | 131,627         | 38,585     | 7,068        | 17,031                  | 56,453              | 18,474          | 5,426                 | 76,631         | 42,132    | (783)        | 392,644           |
|   |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| Noncurrent assets   |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| Investments   |                 |            |              |                         |                     |                 |                       | 44.744         |           |              | 44.744            |
| Unrestricted Restricted   | 170,721         | 7          |              | 8,658                   | -                   | -               | -                     | 44,744         | 3,181     | -            | 44,744<br>182,560 |
| Loans, net of allowance for loan losses of \$80,661                           | 170,721         | 110,713    | 3,159        | 18,427                  | 248,060             | 1,686           | 68,110                | 48,355         | 17,862    | -            | 516,372           |
| Capital assets, net   | _               | 110,713    | 3,137        | 10,427                  | 240,000             | 1,000           | -                     | 83             | 1,997     | _            | 2,080             |
| Other assets  | _               | 287        | _            | _                       | _                   | _               | _                     | 2,986          | 534       | _            | 3,807             |
| Total noncurrent assets   | 170,721         | 111,000    | 3,159        | 27,085                  | 248,060             | 1,686           | 68,110                | 96,168         | 23,574    |              | 749,563           |
| Total noncurrent assets   | 170,721         | 111,000    | 3,137        | 27,003                  | 240,000             | 1,000           | 00,110                | 70,100         | 23,374    |              | 747,303           |
| Total assets  | 302,348         | 149,585    | 10,227       | 44,116                  | 304,513             | 20,160          | 73,536                | 172,799        | 65,706    | (783)        | 1,142,207         |
| Total assets  | 302,348         | 149,363    | 10,227       | 44,110                  | 304,313             | 20,100          | /3,330                | 172,799        | 03,700    | (763)        | 1,142,207         |
| Deferred outflow of resources   |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| OPEB difference in expected versus actual experience                          | - /             | _          | _            | _                       | _                   | _               | _                     | 115            | _         | _            | 115               |
| Changes in OPEB actuarial assumptions and proportions                         | 7               | _          | _            | -                       | -                   | -               | -                     | 65             | -         | -            | 65                |
| Pension contributions, net differences, and changes in share of contributions |                 | _          | _            | -                       | -                   | -               | -                     | 525            | -         | -            | 525               |
| Pension differences in expected versus actual experience                      |                 | -          | -            | -                       | -                   | -               | -                     | 137            | -         | -            | 137               |
| Net differences between expected and actual investment earnings               | -               | -          | -            | -                       | -                   | -               | -                     | 102            | -         | -            | 102               |
| Changes in pension actuarial assumptions and proportions                      |                 |            |              |                         |                     |                 |                       | 123            |           |              | 123               |
| Total deferred outflow of resources   |                 |            |              |                         |                     |                 |                       | 1,067          |           |              | 1,067             |
|   |                 |            |              |                         |                     |                 |                       |                |           |              |                   |
| Total assets and deferred outflow of resources                                | \$ 302,348      | \$ 149,585 | \$ 10,227    | \$ 44,116               | \$ 304,513          | \$ 20,160       | \$ 73,536             | \$ 173,866     | \$ 65,706 | \$ (783)     | \$ 1,143,274      |

### **Combining Statement of Net Position (cont.)**

June 30, 2025

(In Thousands)

| Liabilities, Deferred Inflow of Resources, and Net Position              | Single<br>Family<br>Housing<br><u>Programs</u> | Federal<br>Housing<br><u>Programs</u> | Multi-Family Programs | Economic Development Bond Guaranty Program | State<br>Facilities<br>and<br>Amendment<br>82 Programs | Other Economic Development Programs | Tobacco<br>Settlement<br>Revenue<br>Bonds<br><u>Program</u> | General<br>Fund<br><u>Program</u> | Student<br>Loan<br><u>Programs</u> | Eliminations | <u>Total</u>   |
|--|--|---------------------------------------|-----------------------|--|--|-------------------------------------|---|-----------------------------------|------------------------------------|--------------|----------------|
| Current liabilities  |  |                                       |                       |  |  |                                     |   |                                   |                                    | d (#02)      |                |
| Accounts payable   | \$ -   | \$ 402                                | \$ -                  | \$ -                                       | \$ -   | \$ 25                               | \$ -  | \$ 2,363                          | \$ 89                              | \$ (783)     |                |
| Accrued interest payable   | 3,252  | 18                                    | -                     | 257  | 972  | -                                   | -   | - 24                              | -                                  | -            | 4,499          |
| Unearned fees  | -  | -                                     | -                     | 113  | 2 204  | -                                   | -   | 34                                | -                                  | -            | 147            |
| Contract obligations  Deferred gain on refinancing sale of asset         | -  | -                                     | -                     |  | 3,294  | - 15                                | -   | 18                                | -                                  | -            | 3,294          |
| · ·  | 1,800  | 143                                   | -                     | 2.277                                      | 15,442   | 15                                  | 4,965   | 18                                | -                                  | -            | 33<br>24,627   |
| Current portion of bonds and notes payable                               |  | 143                                   | -                     | 2,277                                      | 15,442   | -                                   | 4,965   | 83                                | -                                  | -            | 83             |
| OPEB and pension liabilities   |  |                                       |                       | $\overline{}$                              |  | $\overline{}$                       |   |                                   | <del></del>                        |              |                |
| Total current liabilities  | 5,052  | 563                                   |                       | 2,647                                      | 19,708   | 40                                  | 4,965   | 2,498                             | 89                                 | (783)        | 34,779         |
| Noncurrent liabilities   |  |                                       |                       | 7  |  |                                     |   |                                   |                                    |              |                |
| Unearned fees  | -  | -                                     | -                     | 373  | -  | -                                   | -   | -                                 | -                                  | -            | 373            |
| Contract obligations   | -  | -                                     |                       | -  | 2,590  | -                                   | -   | -                                 | -                                  | -            | 2,590          |
| Bonds and notes payable, net of unamortized premiums and current portion | 189,416  | 2,817                                 | -                     | 21,050                                     | 237,074  | -                                   | 63,145  | -                                 | -                                  | -            | 513,502        |
| Deposits against financing arrangements                                  | -  |                                       |                       | 1,288                                      | 45,141   | -                                   | 5,426   | - 165                             | -                                  | -            | 51,855         |
| Deferred gain on refinancing sale of asset                               | -  |                                       | -                     | -  | -  | 23                                  | -   | 165                               | -                                  | -            | 188            |
| OPEB and pension liabilities   |  |                                       | -                     | -  | -  | -                                   | -   | 5,351<br>2,409                    | -                                  | -            | 5,351<br>2,409 |
| Other liabilities  |  |                                       | <del></del>           |  |  |                                     |   |                                   |                                    |              |                |
| Total noncurrent liabilities   | 189,416  | 2,817                                 |                       | 22,711                                     | 284,805  | 23                                  | 68,571  | 7,925                             |                                    |              | 576,268        |
|  |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Total liabilities  | 194,468  | 3,380                                 |                       | 25,358                                     | 304,513  | 63                                  | 73,536  | 10,423                            | 89                                 | (783)        | 611,047        |
| Deferred inflow of resources   |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| OPEB difference in expected versus actual experience                     |  |                                       |                       |  |  |                                     |   | 141                               |                                    |              | 141            |
| Changes in OPEB actuarial assumptions and proportions                    |  | -                                     | -                     | -  | -  | -                                   | -   | 833                               | -                                  | -            | 833            |
| Pension difference in expected versus actual experience                  |  | -                                     | -                     | -  | -  | -                                   | -   | 144                               | -                                  | -            | 144            |
| Changes in employer pension contribution and share of contributions      |  | -                                     | -                     | -  | -  | -                                   | -   | 64                                | -                                  | -            | 64             |
|  | -  | -                                     | -                     | -  | -  | -                                   | -   | - 04                              | 495                                | -            | 495            |
| Lease obligations  |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Total deferred inflow of resources                                       |  |                                       |                       |  |  |                                     |   | 1,182                             | 495                                |              | 1,677          |
|  |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Total liabilities and deferred inflow of resources                       | 194,468  | 3,380                                 |                       | 25,358                                     | 304,513  | 63                                  | 73,536  | 11,605                            | 584                                | (783)        | 612,724        |
|  |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Net position   |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Investment in capital assets   | -  | -                                     | -                     | -  | -  | -                                   | -   | 83                                | 1,997                              | -            | 2,080          |
| Restricted expendable by bond resolution and programs                    | 107,880  | 146,205                               | 10,227                | 18,758                                     | -  | 20,097                              |   | -                                 | 63,125                             | -            | 366,292        |
| Unrestricted   |  |                                       |                       |  |  |                                     |   | 162,178                           |                                    |              | 162,178        |
| Total net position   | 107,880  | 146,205                               | 10,227                | 18,758                                     | -  | 20,097                              | _   | 162,261                           | 65,122                             |              | 530,550        |
|  |  |                                       |                       |  |  |                                     |   |                                   |                                    |              |                |
| Total liabilities, deferred inflow of resources, and net position        | \$ 302,348                                     | \$ 149,585                            | \$ 10,227             | \$ 44,116                                  | \$ 304,513   | \$ 20,160                           | \$ 73,536   | \$ 173,866                        | \$ 65,706                          | \$ (783)     | \$ 1,143,274   |

### Combining Statement of Revenues, Expenses, and Changes in Net Position

### For the Year Ended June 30, 2025

### (In Thousands)

|   |                  |            |              | Economic            | State             |                   | Tobacco               |                 |           |              |              |
|---|------------------|------------|--------------|---------------------|-------------------|-------------------|-----------------------|-----------------|-----------|--------------|--------------|
|   | Single<br>Family | Federal    |              | Development<br>Bond | Facilities<br>and | Other<br>Economic | Settlement<br>Revenue | C1              | Student   |              |              |
|   | Housing          | Housing    | Multi-Family | Guaranty            | Amendment         | Development       | Bonds                 | General<br>Fund | Loan      |              |              |
|   | Programs         | Programs   | Programs     | Program             | 82 Programs       | Programs          | Program               | Program         | Programs  | Eliminations | <u>Total</u> |
| Operating revenues  |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Investment income   |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Interest and dividends  | \$ 10,127        | \$ 1,107   | \$ 293       | \$ 511              | S -               | \$ 918            | \$ -                  | \$ 3,731        | \$ 2,300  | \$ -         | \$ 18,987    |
| Loans and direct financing leases   | -                | 1,016      | 53           | 1,102               | 8,696             | 28                | 3,294                 | 2,688           | 839       | -            | 17,716       |
| Amortization of discounts on loans  | -                | -          | -            | -                   | -                 | -                 | -                     | 1               | -         | -            | 1            |
| Financing fees  | -                | -          |              | 263                 | -                 | 79                | -                     | 7,151           | -         | (1,468)      | 6,025        |
| Net appreciation (depreciation) of investments  | 181              |            |              | 410                 |                   |                   |                       | 2,309           | (40)      |              | 2,860        |
| Total investment income   | 10,308           | 2,123      | 346          | 2,286               | 8,696             | 1,025             | 3,294                 | 15,880          | 3,099     | (1,468)      | 45,589       |
| Other income  |                  |            | <u> </u>     |                     |                   |                   |                       | 56              | 26        |              | 82           |
| Total operating revenues  | 10,308           | 2,123      | 346          | 2,286               | 8,696             | 1,025             | 3,294                 | 15,936          | 3,125     | (1,468)      | 45,671       |
| Operating expenses  |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Interest and amortization on bonds and notes  | 5,183            | 33         |              | 1,050               | 8,739             |                   | 3,294                 | 3               |           |              | 18,302       |
| merest and amortization on bonds and notes  | A                |            |              |                     |                   |                   |                       |                 |           |              |              |
| Administrative expenses   |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Provision for (recovery of) loan losses   | -                | 1,839      | (64)         | (272)               | -                 | 44                | -                     | 476             | 652       | -            | 2,675        |
| Federal financial assistance programs   | -                | 2,998      | -            | -                   | -                 | -                 | -                     | -               | -         | -            | 2,998        |
| Loan servicing and other contractual services   | . /              | -          | -            | -                   | -                 | -                 | -                     | -               | 184       | -            | 184          |
| Salaries and benefits   |                  | -          | -            | -                   | -                 | -                 | -                     | 4,136           | 471       | -            | 4,607        |
| Operations and maintenance  |                  | 1,477      | 2            | -                   | -                 | 93                | -                     | 611             | 172       | (1,352)      | 1,003        |
| Other   | 1,687            | 277        | 58           | 37                  |                   | 162               |                       | 917             | 619       | (116)        | 3,641        |
| Total administrative expenses   | 1,687            | 6,591      | (4)          | (235)               |                   | 299               |                       | 6,140           | 2,098     | (1,468)      | 15,108       |
| Total operating expenses  | 6,870            | 6,624      | (4)          | 815                 | 8,739             | 299               | 3,294                 | 6,143           | 2,098     | (1,468)      | 33,410       |
| Operating income (loss)   | 3,438            | (4,501)    | 350          | 1,471               | (43)              | 726               | -                     | 9,793           | 1,027     | -            | 12,261       |
| Nonoperating revenues   |                  | ( ) )      |              |                     | ( - )             |                   |                       |                 |           |              |              |
| Federal grants  | _                | 18,377     | _            | _                   | 43                |                   | _                     | _               | _         | _            | 18,420       |
| redeal glants   |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Income before transfers in (out), net   | 3,438            | 13,876     | 350          | 1,471               | -                 | 726               | -                     | 9,793           | 1,027     | -            | 30,681       |
| Transfers in (out), net   | 5,657            | (73)       |              |                     |                   | (5,157)           |                       | (5,801)         |           |              | (5,374)      |
| Changes in net position   | 9,095            | 13,803     | 350          | 1,471               | -                 | (4,431)           | -                     | 3,992           | 1,027     | -            | 25,307       |
|   |                  |            |              |                     |                   |                   |                       |                 |           |              |              |
| Net position - beginning of year, as previously reported                                      | 98,785           | 132,402    | 9,877        | 17,287              | -                 | 24,528            | -                     | 158,846         | 64,095    | -            | 505,820      |
| Adoption of Governmental Accounting Standards Board Statement No. 101, "Compensated Absences" |                  |            |              |                     |                   |                   |                       | 577             |           |              | 577          |
| Net position - beginning of year, as restated   | 98,785           | 132,402    | 9,877        | 17,287              |                   | 24,528            |                       | 158,269         | 64,095    |              | 505,243      |
| Net position - end of year  | \$ 107,880       | \$ 146,205 | \$ 10,227    | \$ 18,758           | <u>s - </u>       | \$ 20,097         | <u>s - </u>           | \$ 162,261      | \$ 65,122 | <u>\$</u> -  | \$ 530,550   |

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors Arkansas Development Finance Authority A Component Unit of the State of Arkansas Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS") issued by the Comptroller General of the United States, the combined financial statements of the business-type activities and the aggregate discretely presented component unit of Arkansas Development Finance Authority as of and for the year ended June 30, 2025, and the related notes to the combined financial statements, which collectively comprise Arkansas Development Finance Authority's basic combined financial statements, and have issued our report thereon dated , 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Arkansas Development Finance Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arkansas Development Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Arkansas Development Finance Authority's internal control.

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arkansas Development Finance Authority's combined 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *GAS*.

### **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 Arkansas Development Finance Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *GAS* in considering Arkansas Development Finance Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

Little Rock, Arkansas , 2025

### Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

Board of Directors Arkansas Development Finance Authority A Component Unit of the State of Arkansas Little Rock, Arkansas

### Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arkansas Development Finance Authority'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 Arkansas Development Finance Authority's major federal programs for the year ended June 30, 2025. Arkansas Development Finance Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards ("GAS") 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arkansas Development Finance Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 Arkansas Development Finance Authority'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 Arkansas Development Finance Authority's federal programs.

#### Auditor's 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 Arkansas Development Finance Authority'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 GAAS, *GAS*, 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 Arkansas Development Finance Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAS, 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 Arkansas Development Finance Authority'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 Arkansas Development Finance Authority'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 Arkansas Development Finance Authority'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 Auditor's 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.

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.

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.

Certified Public Accountants

Little Rock, Arkansas , 2025

### **Schedule of Findings and Questioned Costs**

### For the Year Ended June 30, 2025

### Section I – Summary of Auditor's Results

| Combined Financial Statements  |                  | CX                |
|--|------------------|-------------------|
| Type of auditor's report issued: Unmodified  |                  |                   |
| Internal control over financial reporting:   |                  |                   |
| <ul><li>Material weakness(es) identified?</li></ul>  | Yes              | _X_ No            |
| • Significant deficiency(ies) identified?  | Yes              | _X_ None Reported |
| Noncompliance material to combined financial statements noted?   | Yes              | X No              |
| Federal Awards   |                  | ,                 |
| Internal control over major programs:  |                  |                   |
| Material weakness(es) identified?  | Yes              | X No              |
| Significant deficiency(ies) identified?  | Yes              | X None Reported   |
| Type of auditor's report issued on compliance for major federal programs.                              |                  | Unmodified        |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes              | X No              |
| Identification of major federal programs:  |                  |                   |
| Federal Assistance Listing ("FAL") Number(s) and Name of Federal Program or Cluster                    |                  |                   |
| HOME Investment Partnerships Program HOME Investment HOME-ARP Program                                  | 14.239<br>14.239 |                   |
| Dollar threshold used to distinguish between type A and type B programs:                               | \$ 750,000       |                   |
| Auditee qualified as a low-risk auditee?   | X Yes            | No                |

### **Summary Schedule of Prior Audit Findings**

### For the Year Ended June 30, 2025

No matters were reported in the June 30, 2024 Schedule of Findings and Questioned Costs.

### **Schedule of Expenditures of Federal Awards**

### For the Year Ended June 30, 2025

|  |               | Pass-Through  |                      |                         |
|--|---------------|---------------|----------------------|-------------------------|
|  |               | Entity        | Pass-Through         | Total                   |
| Federal Grantor/Pass-Through   | FAL           | Identifying   | Through to           | Federal                 |
| Grantor Program or Cluster Title   | <u>Number</u> | <u>Number</u> | <u>Subrecipients</u> | <u>Expenditures</u>     |
| U.S. Department of Agriculture   |               |               |                      |                         |
| 1  |               |               |                      |                         |
| Development/Preservation Revolving  Loan Fund  | 10.415        | N/A           | 0                    | ¢ 2 101 000             |
| Loan Fund  | 10.415        | N/A           | \$ -                 | \$ 3,101,980            |
| U.S. Department of Housing and Urban   |               |               |                      |                         |
| Development/Emergency Solutions  |               |               |                      |                         |
| Grant Program  | 14.231        | N/A           |                      | 87,745                  |
| Grant Program  | 14.231        | IV/A          |                      | 07,743                  |
| U.S. Department of Treasury/American   |               |               | Ť                    |                         |
| Rescue Plan/Home Owner Assistance  |               | <b>A Y</b>    |                      |                         |
| Fund   | 21.026        | N/A           | _                    | 86,670                  |
|  | •             |               |                      | 22,212                  |
| U.S. Department of Housing and Urban   | A             |               |                      |                         |
| Development/Housing Trust Fund   | 14.275        | N/A           | -                    | 4,153,721               |
|  |               |               |                      |                         |
| U.S. Department of Housing and Urban   |               |               |                      |                         |
| Development/HOME Investment  |               |               |                      |                         |
| Partnerships Program   | 14.239        | N/A           | 17,493               | 10,738,701              |
| HOME-ARP Program   | 14.239        | N/A           | 3,027,751            | 3,397,223               |
|  |               |               |                      |                         |
|  |               |               | \$ 3,045,243         | \$ 21,566,039           |
| Fund  U.S. Department of Housing and Urban Development/Housing Trust Fund  U.S. Department of Housing and Urban Development/HOME Investment Partnerships Program | 14.239        | N/A           | 3,027,751            | 10,738,701<br>3,397,223 |

### **Notes to Schedule of Expenditures of Federal Awards**

### For the Year Ended June 30, 2025

- 1. The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of the Arkansas Development Finance Authority (the "Authority"), a component unit of the State of Arkansas, under programs of the federal government for the year ended June 30, 2025. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.
- 2. Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Office of Management and Budget A-110 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- 3. Expenditures reflected in FAL 10.415, Preservation Revolving Loan Fund, include loans to contractors for the development of multi-family housing. The funding sources for these loans are two \$2,125,000 promissory notes executed between the Authority and the U.S. Department of Agriculture Rural Development during fiscal year 2013 and fiscal year 2016. When received, the funds were used to make new loans for program activities. The outstanding loan receivable balance was \$3,089,688 for the year ended June 30, 2025. There were no disbursements for loans made during the year ended June 30, 2025, as all funding commitments have been fully disbursed for this program in prior years.
- 4. Expenditures reflected in FAL 14.239, HOME Investment Partnerships Program, include loans to contractors and borrowers for the development of single-family and multi-family housing. The funding source for these loans includes federal grant funds and revolving program funds. The funds are disbursed after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance was \$138,155,098 for the year ended June 30, 2025. Total disbursements of federal funds for repayable loans totaled \$9,709,756 during the year ended June 30, 2025.
- 5. The federal loan programs listed subsequently are administered directly by the Authority, and balances and transactions relating to the programs are included in the Authority's basic combined financial statements. Notes payable outstanding at the beginning of the year and federal expenditures during the year are included in the federal expenditures presented in the SEFA. The balance of the notes payable outstanding at June 30, 2025 consists of:

|                  |                                  | Outstanding Balance |
|------------------|----------------------------------|---------------------|
| Reference Number | Program Name                     | at June 30, 2025    |
|                  |                                  |                     |
| 10.415           | Preservation Revolving Loan Fund | \$2,960,316         |

### Notes to Schedule of Expenditures of Federal Awards (cont.)

### For the Year Ended June 30, 2025

- 6. Expenditures reflected in FAL 14.275, Housing Trust Fund, include loans to contractors for development or redevelopment of affordable housing, particularly rental housing for extremely low income and very low income households. The funding source for these loans is federal grant funds. The funds are disbursed after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance was \$18,109,135 for the year ended June 30, 2025. Total disbursements for repayable loans made were \$3,923,754 during the year ended June 30, 2025.
- 7. Expenditures reflected in FAL 21.026, Homeowner Assistance Fund, include disbursements to prevent homeowner mortgage delinquencies, defaults, utilities delinquencies, and expenses for the administration of this program. The funding source for these expenses was federal grant funds.



# TAB 5

# Construction Assistance Revolving Loan Fund Program

Fiscal Year 2025 Discussion Draft

### **Communication With Those Charged With Governance**

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

We have audited the combined financial statements of the State of Arkansas Construction Assistance Revolving Loan Fund Program (the "Program") as of and for the year ended June 30, 2025, and have issued our report thereon dated \_\_\_\_\_\_, 2025. Professional standards require that we advise you of the following matters relating to our audit.

### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 20, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the combined financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our audit of the combined financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement. An audit of combined financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Program solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We are required to communicate to you significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. We have identified the following significant risks:

- Improper revenue recognition is presumed, by auditing standards, to be a risk of fraud.
- Management's override of controls is presumed, by auditing standards, to be a risk of fraud.

We responded to these risks by performing procedures such as, but not limited to, 1) Specific journal entry testing; 2) Inquiry with management and others in the Program; 3) Internal control evaluation; and 4) Specific testing of revenue transactions. Based on these tests, along with our other audit procedures, we found no adjustments required to be made with respect to these significant risk areas in order to keep the combined financial statements from being materially misstated.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Program is included in Note 1 to the combined financial statements. As described in Note 1.d. to the combined financial statements, during the year, the Program adopted Governmental Accounting Standards Board Statement No. 102, "Certain Risk Disclosures." No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the combined financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the combined financial statements, and the processes used by management as the basis for their estimate, is as follows:

• Operating revenues – Operating revenues are recognized primarily from interest income on loans and financing fee income. Interest income is calculated based on the stated interest rate for each loan, and financing fee income is calculated based on the stated financing fee rate for each loan.

We evaluated the factors and assumptions used to develop the estimate and determined it is reasonable in relation to the basic combined financial statements taken as a whole and in relation to the applicable opinion units.

### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Program's combined financial statements relate to:

- Note 3 Loans Receivable
- Note 6 Concentrations
- Note 7 Subsequent Events

### Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures, and the combined financial statements as a whole and each applicable opinion unit. There were no such uncorrected misstatements noted during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no such corrected misstatements noted during our audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Program's combined financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated , 2025.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Program, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Program's auditors.

### **Modification of the Auditor's Report**

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1.a., the combined financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

\* \* \* \* \* \*

This report is intended solely for the information and use of the Commissioners of the Arkansas Natural Resources Commission, the Board of Directors of the Arkansas Development Finance Authority, and management of the Program, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank all of the personnel of the Program for their assistance during the audit. We appreciate the opportunity to present these comments and are available to discuss these matters further at your convenience.

Certified Public Accountants

Little Rock, Arkansas , 2025

A copy of the signed management representation letter will accompany this letter when finals are printed.

# Construction Assistance Revolving Loan Fund Program

## Fiscal Year 2025 Financial Statement Discussion Draft

June 30, 2025 and 2024

Combined Financial Statements

And

Supplementary Information

With

**Independent Auditor's Report** 



### **Table of Contents**

| <u>rage</u>  |
|--|
| Independent Auditor's Report   |
| Management's Discussion and Analysis   |
| Combined Financial Statements  |
| Combined Statements of Net Position  |
| Combined Statements of Revenues, Expenses, and Changes in Net Position   |
| Combined Statements of Cash Flows  |
| Notes to Combined Financial Statements   |
| Supplementary Information  |
| Combining Statement of Net Position as of June 30, 2025  |
| Combining Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2025  |
| Combining Statement of Cash Flows for the Year Ended June 30, 2025   |
| Compliance and Internal Control Section  |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance   |
| Schedule of Findings and Questioned Costs for the Year Ended June 30, 2025   |
| Summary Schedule of Prior Audit Findings for the Year Ended June 30, 2025  |
| Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2025  |
| Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2025   |

### **Independent Auditor's Report**

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

#### **Report on the Audited Combined Financial Statements**

**Opinions** 

We have audited the combined financial statements of the State of Arkansas Construction Assistance Revolving Loan Fund Program, which comprise the combined statements of net position as of June 30, 2025 and 2024, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the State of Arkansas Construction Assistance Revolving Loan Fund Program as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

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

### Emphasis of Matter

As discussed in Note 1.a., the accompanying combined financial statements present only the State of Arkansas Construction Assistance Revolving Loan Fund Program and do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Arkansas Construction Assistance Revolving Loan Fund Program's ability to continue as a going concern for 12 months beyond the combined financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audits of the Combined Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audits 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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Arkansas Construction Assistance Revolving Loan Fund Program'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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

#### Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 combined financial statements, and other knowledge we obtained during our audits of the basic combined 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 audits were conducted for the purpose of forming opinions on the combined financial statements that collectively comprise the State of Arkansas Construction Assistance Revolving Loan Fund Program's basic combined financial statements. The 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,* is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The supplementary information on pages 24 through 26 and the schedule of expenditures of federal awards on page 33 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic combined 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 combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

### Other Reporting Required by GAS

In accordance with *GAS*, we have also issued our report dated \_\_\_\_\_\_, 2025, on our consideration of the State of Arkansas Construction Assistance Revolving Loan Fund Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Arkansas Construction Assistance Revolving Loan Fund Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GAS* in considering the State of Arkansas Construction Assistance Revolving Loan Fund Program's internal control over financial reporting and compliance.

Certified Public Accountants

### Management's Discussion and Analysis

#### For the Years Ended June 30, 2025 and 2024

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the State of Arkansas Construction Assistance Revolving Loan Fund Program (the "Program"). Readers are encouraged to consider the information presented in conjunction with the combined financial statements and notes as a whole, which follow this section of the report.

### **Discussion of Combined Financial Statements**

The June 30, 2025 basic combined financial statements include three required statements: the combined statement of net position; the combined statement of revenues, expenses, and changes in net position; and the combined statement of cash flows. Comparative totals as of and for the years ended June 30, 2024 and 2023 are also presented. Although not required, these comparative totals are intended to facilitate an enhanced understanding of the Program's financial position and results of operations for the current fiscal year in comparison to the prior fiscal years. Additional information, following the *Notes to Combined Financial Statements*, includes the combining statement of net position; the combining statement of revenues, expenses, and changes in net position; as well as the combining statement of cash flows. These combining statements detail the Revolving Loan Fund and the Fees and Expense Fund, which comprise the Program.

### **Condensed Financial Information – Combined Statements of Net Position**

|  | <u>2025</u>   | <u>2024</u>   | <u>2023</u>   |
|--|---------------|---------------|---------------|
| (In thousands)                                       |               |               |               |
| Total assets   | \$<br>665,773 | \$<br>566,821 | \$<br>475,794 |
| Liabilities  |               |               |               |
| Current liabilities                                  | 8,010         | 4,082         | 324           |
| Noncurrent liabilities                               | <br>155,332   | 73,973        | _             |
| Total liabilities                                    | <br>163,342   | <br>78,055    | <br>324       |
| Net position   |               |               |               |
| Restricted by bond resolution, enabling legislation, |               |               |               |
| and Program requirements                             | \$<br>502,431 | \$<br>488,766 | \$<br>475,470 |

The Program's total assets have increased over the past three years. At June 30, 2025, total assets increased \$99.0 million, which is primarily attributable to the increase of \$44.6 million in cash and cash equivalents and \$54.4 million in loans receivable - restricted. At June 30, 2024, total assets increased \$91.0 million, which is primarily attributable to the increase of \$46.0 million in cash and cash equivalents and \$44.2 million in loans receivable – restricted. The Program issued bonds of \$72.6 million in August 2023 and \$64.0 million in March 2025 as well as reallocating bond proceeds of \$18.1 million from Safe Drinking Revolving Loan Program in February 2025 as an additional source to fund new loans. The Program has approved several commitments over the last three years due to the low borrowing rate and federal programs subsidizing projects causing the increase in loans receivable - restricted as these loans are funded.

### STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

### Management's Discussion and Analysis (cont.)

### For the Years Ended June 30, 2025 and 2024

The following table reports loan activity for each year:

|                                  | <u>2025</u> |        |    | <u>2024</u> | <u>2023</u> |        |  |
|----------------------------------|-------------|--------|----|-------------|-------------|--------|--|
| (In thousands)                   |             |        |    |             |             |        |  |
| Loan disbursements               | \$          | 80,318 | \$ | 66,413      | \$          | 70,774 |  |
| Loan repayments                  |             | 25,892 |    | 22,190      |             | 25,135 |  |
|                                  |             |        |    |             |             | ) '    |  |
| Net increase in loans receivable | \$          | 54,426 | \$ | 44,223      | \$          | 45,639 |  |

The following table reflects the disbursement of funds to new and existing loan borrowers:

|                                     | <u>2025</u> | <u>2024</u>   | <u>2023</u>   |
|-------------------------------------|-------------|---------------|---------------|
| (In thousands)                      |             |               |               |
| New loans                           | \$ 197,493  | \$<br>124,756 | \$<br>101,750 |
| Loan disbursements - new loans      | 22,698      | 8,503         | 22,572        |
| Existing loans                      | \$ 393,719  | \$<br>274,404 | \$<br>204,084 |
| Loan disbursements - existing loans | 57,620      | 57,910        | 48,202        |

The Program continuously funds loans from Environmental Protection Agency ("EPA") federal grant funds, state matching funds, and revolving Program funds. The Program receives federal subsidy in the form of an annual capitalization grant ("Base"). Per EPA guidelines and Arkansas Natural Resources Commission ("ANRC") policy, all state match funds must be matched with federal dollars on or prior to the receipt of the federal funds and ANRC has chosen to fund loans with state match funds prior to utilizing the federal capitalization grant. The Program has available \$5.3 million, \$4.9 million, and \$2.0 million of the federal fiscal years 2024, 2023, and 2022 Base grants, respectively, to utilize for additional subsidy and repayable loans. The Program also has received federal subsidy in the form of general capitalization grants from the Bipartisan Infrastructure Law/Infrastructure Investment Jobs Act ("BIL/IIJA"). The Program has available \$15.7 million, \$13.1 million, and \$11.1 million of the federal fiscal years 2024, 2023, and 2022 BIL/IIJA grants, respectively. In fiscal years 2024 and 2025, bond proceeds were an additional funding source.

The table below reflects the amounts used from each funding source for fiscal years 2025, 2024, and 2023:

|                         | <u>2025</u> |        | <u>2024</u> |        | <u>2023</u> |        |  |
|-------------------------|-------------|--------|-------------|--------|-------------|--------|--|
| (In thousands)          |             |        |             |        |             |        |  |
| EPA federal base        | \$          | -      | \$          | 51     | \$          | 12,481 |  |
| State matching funds    |             | 4,245  |             | 1,578  |             | 3,243  |  |
| Bond funds              |             | 70,995 |             | 51,820 |             | -      |  |
| Prepayments             |             | 271    |             | -      |             | -      |  |
| Revolving Program funds |             | 4,807  |             | 12,964 |             | 55,050 |  |
|                         | \$          | 80,318 | \$          | 66,413 | \$          | 70,774 |  |

### Management's Discussion and Analysis (cont.)

### For the Years Ended June 30, 2025 and 2024

The Program's total liabilities increased to \$163.3 million at June 30, 2025 from \$78.1 million at June 30, 2024. The increase is primarily due to the issuance of bonds as an additional funding source for the loan volume.

### Condensed Financial Information – Combined Statements of Revenues, Expenses, and Changes in Net Position

|   | <u>2025</u> | <u>2024</u> | <u>2023</u> |  |  |
|---|-------------|-------------|-------------|--|--|
| (In thousands)                              |             |             |             |  |  |
| Operating revenues                          |             |             |             |  |  |
| Total interest income                       | \$ 9,895    | \$ 10,531   | \$ 7,203    |  |  |
| Other                                       | 4,831       | 4,358       | 3,757       |  |  |
| Total operating revenues                    | 14,726      | 14,889      | 10,960      |  |  |
| Operating expenses                          |             |             |             |  |  |
| Program administration                      | 1,182       | 1,203       | 684         |  |  |
| Federal financial assistance                |             |             |             |  |  |
| Base federal grants                         | 4,021       | 1,954       | 4,090       |  |  |
| BIL/IIJA federal grants                     | 38          | -           | -           |  |  |
| Bond interest                               | 5,038       | 3,024       | -           |  |  |
| Amortization of bond premiums               | (1,460)     | (771)       |             |  |  |
| Total operating expenses                    | 8,819       | 5,410       | 4,774       |  |  |
|   |             |             |             |  |  |
| Operating income                            | 5,907       | 9,479       | 6,186       |  |  |
| Dage fodoral grants                         | 4,021       | 2,145       | 16 000      |  |  |
| Base federal grants BIL/IIJA federal grants | 890         | 2,143       | 16,888      |  |  |
|   | 2,847       | 1,260       | 2,236       |  |  |
| Transfers in, net                           | 2,047       | 1,200       | 2,230       |  |  |
| Changes in net position                     | 13,665      | 13,296      | 25,310      |  |  |
| Net position - beginning of year            | 488,766     | 475,470     | 450,160     |  |  |
| Net position - end of year                  | \$ 502,431  | \$ 488,766  | \$ 475,470  |  |  |

Total operating revenues have fluctuated over the past three years. In the current fiscal year, the operating revenues decreased \$163,000, which is primarily attributable due to the decrease of \$565,000 and \$70,000 in interest on cash and investments, and loans, respectively, offset by increase in financing fees of \$522,000. In the prior fiscal year, the operating revenues increased \$3.9 million, which is primarily attributable due to the increase of \$3.4 million in interest on cash and investments. The Program monitors cash and investment yields and the cash needs of the Program to ensure liquidity and to maximize investment options.

Management's Discussion and Analysis (cont.)

For the Years Ended June 30, 2025 and 2024

Interest on investments was \$4.7 million, \$5.3 million, and \$1.9 million for fiscal years ended June 30, 2025, 2024, and 2023, respectively. In fiscal year 2025, the slight decrease is due to interest rates being on the average of 3.96%; whereas, in fiscal year 2024, the average was 4.51%. The Program maintains liquidity to fund projects as needed. An investment option the Program utilizes is the State Treasury Money Management Trust Fund ("MMTF"). The Program has \$23.1 million invested in the State Treasury MMTF at fiscal year-end 2025, which is reported as a part of cash and cash equivalents. The State Treasury MMTF yield as of June 30, 2025 and 2024 was 4.33% and 5.37%, respectively, with an average of 4.81% for fiscal year 2025. The average return on cash, cash equivalents, and investments was 3.96%, 4.51%, and 3.24% for the fiscal years ended June 30, 2025, 2024, and 2023, respectively.

Interest on loans has slightly declined over the past three years. The Program is continuously making loans with interest rates between 0.00% and 3.00%. The average return on loans was 1.07%, 1.20%, and 1.33% for the fiscal years ended June 30, 2025, 2024, and 2023, respectively.

Total operating expenses increased \$3.4 million and \$636,000 in fiscal years 2025 and 2024, respectively. The increase in fiscal year 2025 is primarily attributable to an increase bond interest expense of \$2.0 million and increase of \$2.1 million in federal financial assistance - base federal grants net of increase of bond premium amortization of \$689,000. Bond interest expense increased during both fiscal years due to issuing bonds. Federal financial assistance - base federal grants fluctuates with the volume of principal forgiveness loans available for funding and the rate at which the borrowers request reimbursement. During fiscal years 2025 and 2024, the Program forgave principal of \$4.0 million and \$2.0 million, respectively. Program administration expenses totaled \$1.2 million, \$1.2 million, and \$684,000 for the fiscal years ended June 30, 2025, 2024, and 2023, respectively. These expenses included amounts paid for audit expense, trustee fees, legal fees, membership fees to national water related authorities, loan reporting software costs, and the administrative fee paid to ADFA.

In fiscal year 2025, base federal grants increased \$1.9 million, which is primarily due to funding more principal forgiveness loans from the prior year and utilizing other funding sources for the repayable loans. The Program has approximately \$12.3 million in 2024, 2023, and 2022 base grant awards and \$39.9 million in 2024, 2023, and 2022 BIL/IIJA grant awards available for funding. In fiscal year 2024, base federal grants revenue decreased \$14.3 million due to funding less principal forgiveness loans and utilizing other funding sources for the repayable loans. The loans of the Program have approximately a two to five-year construction period in which many existing loans are being funded. The Program receives federal grant revenue for reimbursement of the Program's expenses from both the base grants and BIL/IIJA grants.

### Management's Discussion and Analysis (cont.)

#### For the Years Ended June 30, 2025 and 2024

Information regarding when base federal grant awards were expended for construction draws and principal forgiveness loans is as follows:

|                    | Be       | ginning        | <br>Amount Expended In  |    |       |      |        |  |
|--------------------|----------|----------------|-------------------------|----|-------|------|--------|--|
|                    | <u>B</u> | <u>Salance</u> | <u>2025</u> <u>2024</u> |    |       | 2023 |        |  |
|                    |          |                | (In thousands)          |    |       |      |        |  |
| Federal Award Year |          |                |                         |    |       |      |        |  |
| 2020               | \$       | -              | \$<br>-                 | \$ | A     | \$   | 7,388  |  |
| 2021               |          | -              | -                       |    | 780   |      | 9,183  |  |
| 2022               |          | 17,218         | 4,059                   |    | 1,225 |      | -      |  |
| 2023               |          | 17,997         | -                       |    | -     |      | -      |  |
| 2024               |          | 21,013         | <br>                    |    | -     |      |        |  |
|                    |          |                |                         |    |       |      |        |  |
|                    | \$       | 56,228         | \$<br>4,059             | \$ | 2,005 | \$   | 16,571 |  |

Transfers in and out are comprised of transfers to or from other state programs or agencies. The current fiscal year transfers in (out), net of \$2.9 million which comprised of \$3.7 million from the ANRC Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund Program ("GO Program") to fund the Program's state match, which is offset by transfers out of \$0.8 million to ANRC for administrative expenses. In the prior fiscal year, the Program had transfers in (out), net of \$1.3 million which comprised of \$2.2 million from the GO Program which was offset by transfer out of \$0.9 million to ANRC for administrative expenses. The funding source for the administrative expenses is the 4% set aside of the EPA base capitalization grant along with other funds deposited into the Fees and Expense Fund.

The net position of the Program increased \$27.0 million in the past two years. The bond resolutions and the Program restrict all of the net position.

The overall financial position and results of operations of the Program have improved.

### **Contact Regarding the Program**

This financial report is designed to provide bondholders, constituents, and business partners with a general overview of the Program's finances and to show the Program's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the ADFA's Chief Financial Officer by telephoning 501.682.5900 or by contacting the ANRC Water Development Section Manager at 501.682.1611.

### **Combined Statements of Net Position**

### June 30, 2025 and 2024

### (In Thousands)

| <u>Assets</u>   | 2025    | 2024       |
|---|---------|------------|
| Current assets  |         |            |
| Cash and cash equivalents \$  | 146,205 | \$ 101,619 |
| Accrued interest receivable   |         |            |
| Cash  | 499     | 430        |
| Loans   | 118     | 139        |
| Accounts receivable - borrowers                                       | 128     | 176        |
| Investments   | 2,871   | 2,931      |
| Total current assets  | 149,821 | 105,295    |
| _   |         |            |
| Noncurrent assets   | ¥       |            |
| Loans receivable - restricted   |         |            |
| Construction  | 515,618 | 461,192    |
| Wetlands mitigation   | 334     | 334        |
| Total noncurrent assets   | 515,952 | 461,526    |
|   |         |            |
| Total assets \$   | 665,773 | \$ 566,821 |
| -   |         | <u> </u>   |
|   |         |            |
| Liabilities and Net Position  |         |            |
|   |         |            |
| Current liabilities   |         |            |
| Accounts payable \$   | 413     | \$ 380     |
| Accrued interest payable  | 1,377   | 292        |
| Current portion of bonds payable                                      | 6,220   | 3,410      |
| Total current liabilities   | 8,010   | 4,082      |
|   |         |            |
| Noncurrent liabilities  |         |            |
| Bonds payable including unamortized premiums of \$14,472 and          |         |            |
| \$7,348 in fiscal 2025 and 2024, respectively, net of current portion | 155,332 | 73,973     |
|   |         |            |
| Total liabilities   | 163,342 | 78,055     |
|   |         |            |
| Net position  |         |            |
| Restricted by bond resolution, enabling legislation, and Program      |         |            |
| requirements <u>\$</u>  | 502,431 | \$ 488,766 |

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

### **Combined Statements of Revenues, Expenses, and Changes in Net Position**

### For the Years Ended June 30, 2025 and 2024

### (In Thousands)

|  |    | <u>2025</u> |    | <u>2024</u> |
|--|----|-------------|----|-------------|
| Operating revenues                             | ¢. | 4.606       | Φ. | 5.262       |
| Interest on cash and investments               | \$ | 4,696       | \$ | 5,262       |
| Interest on loans                              |    | 5,199       | A  | 5,269       |
| Financing fee income                           |    | 4,844       |    | 4,316       |
| Net appreciation (depreciation) of investments |    | (13)        |    | 42          |
| Total operating revenues                       | _  | 14,726      |    | 14,889      |
| Operating expenses                             |    |             |    |             |
| Program administration                         |    | 1,182       |    | 1,203       |
| Federal financial assistance                   |    | 1,102       |    | 1,203       |
| Base federal grants                            |    | 4,021       |    | 1,954       |
| BIL/IIJA federal grants                        |    | 38          |    | -           |
| Bond interest                                  |    | 5,038       |    | 3,024       |
| Amortization of bond premiums                  |    | (1,460)     |    | (771)       |
| Total operating expenses                       |    | 8,819       |    | 5,410       |
|  | -  |             |    |             |
| Operating income                               |    | 5,907       |    | 9,479       |
|  |    |             |    |             |
| Nonoperating revenue                           |    |             |    |             |
| Base federal grants                            |    | 4,021       |    | 2,145       |
| BIL/IIJA federal grants                        |    | 890         |    | 412         |
| Total nonoperating revenue                     |    | 4,911       |    | 2,557       |
|  |    |             |    |             |
| Income before transfers in, net                |    | 10,818      |    | 12,036      |
|  |    | 2.045       |    | 1.260       |
| Transfers in, net                              |    | 2,847       |    | 1,260       |
| Changes in net position                        |    | 13,665      |    | 13,296      |
| Net position - beginning of year               |    | 488,766     |    | 475,470     |
| rece position obeginning of your               |    | 100,700     |    | 173,770     |
| Net position - end of year                     | \$ | 502,431     | \$ | 488,766     |

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

### **Combined Statements of Cash Flows**

### For the Years Ended June 30, 2025 and 2024

### (In Thousands)

|  |    | <u>2025</u> |               | 2024     |
|--|----|-------------|---------------|----------|
| Cash flows from operating activities   | ø  | 4.000       | 0             | 4 217    |
| Financing fee income received  | \$ | 4,892       | \$            | 4,317    |
| Cash paid for program administration   |    | (552)       | $\overline{}$ | (451)    |
| Net cash provided by operating activities  |    | 4,340       |               | 3,866    |
| Cash flows from noncapital financing activities  |    |             | 7             |          |
| Proceeds from issuance of bonds payable  |    | 70,614      |               | 80,709   |
| Bond proceeds reallocated - 2023 bonds   |    | 20,000      |               | -        |
| Repayments of bonds payable  |    | (4,985)     |               | (2,555)  |
| Cash paid for interest   |    | (3,953)     |               | (2,732)  |
| Cash paid for bond issuance costs  |    | (597)       |               | (696)    |
| Transfers in, net  |    | 2,847       |               | 1,260    |
| Nonoperating grants received   | _  | 4,911       |               | 2,557    |
| Net cash provided by noncapital financing activities                                   |    | 88,837      |               | 78,543   |
| Cash flows from investing activities   |    |             |               |          |
| Interest received on cash and investments  |    | 4,627       |               | 5,063    |
| Interest received on loans   |    | 5,220       |               | 5,311    |
| Purchase of investments  |    | (3,100)     |               | (3,666)  |
| Proceeds from maturities of investments  |    | 3,147       |               | 3,073    |
| Loan disbursements   |    | (80,318)    |               | (66,413) |
| Principal repayments on loans  |    | 25,892      |               | 22,190   |
| Federal grant funds expended   |    | (4,059)     |               | (1,954)  |
| Net cash used by investing activities  |    | (48,591)    |               | (36,396) |
| Net increase in cash and cash equivalents  |    | 44,586      |               | 46,013   |
| Net increase in easif and easif equivalents  |    | 44,360      |               | 40,013   |
| Cash and cash equivalents - beginning of year  | -  | 101,619     | _             | 55,606   |
| Cash and cash equivalents - end of year  | \$ | 146,205     | \$            | 101,619  |
|  |    |             | -             |          |
| Reconciliation of changes in net position to net cash provided by operating activities |    |             |               |          |
| Operating income   | \$ | 5,907       | \$            | 9,479    |
| Adjustments to reconcile operating income of changes in net position to net cash       | Ψ  | 3,507       | Ψ             | 2,172    |
| provided by operating activities   |    |             |               |          |
| Interest on cash and investments   |    | (4,696)     |               | (5,262)  |
| Interest on loans  |    | (5,199)     |               | (5,269)  |
| Bond interest  |    | 5,038       |               | 3,024    |
| Amortization of bond premiums  |    | (1,460)     |               | (771)    |
| Bond issuance costs  |    | 597         |               | 696      |
| Net (appreciation) depreciation of investments   |    | 13          |               | (42)     |
| Federal grants expended  |    | 4,059       |               | 1,954    |
| Changes in operating assets and liabilities  |    | ŕ           |               | •        |
| Accounts receivable - borrowers  |    | 48          |               | 1        |
| Accounts payable   |    | 33          |               | 56       |
| Net cash provided by operating activities  | \$ | 4,340       | \$            | 3,866    |
|  |    |             |               |          |

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

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of operations and reporting entity – The State of Arkansas Construction Assistance Revolving Loan Fund Program (the "Program"), an enterprise fund of the State of Arkansas, was created pursuant to the 1987 Amendments (P.L. 100-4) to the "Clean Water Act" (P.L.92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The Program is to be capitalized with federal grants from the U.S. Environmental Protection Agency ("EPA") and state matching funds on a ratio of five federal dollars to one state dollar.

As of July 2001, the Arkansas Natural Resources Commission ("ANRC") became the lead agency for the Program (previously led by Arkansas Department of Environmental Quality). Effective July 1, 2019, ANRC is a division of the Arkansas Department of Agriculture and is still the lead agency for the Program. ANRC is responsible for performing technical project reviews, monitoring construction, and coordinating the total management of the Program. Act 1243 of 2006 authorized the name change to ANRC, which has not had an impact on the Program. Arkansas Development Finance Authority ("ADFA"), which as of July 1, 2019 is a division of the Arkansas Department of Commerce, serves as financial manager for the Program under an interagency agreement. Effective July 1, 2025, ADFA per Act 944 of 2025 is no longer a division of the Arkansas Department of Commerce. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, servicing loans, preparing, and submitting monthly financial reports and annual combined financial statements and procuring audit services. ADFA is reimbursed for the Program's administration costs through a calculation based on loans outstanding in accordance with the interagency agreement. The amounts incurred to ADFA for administration costs were approximately \$338,000 and \$317,000 for the years ended June 30, 2025 and 2024, respectively, and are included in the Program's administration expenses.

The Arkansas Agriculture Water Quality Loan Program ("AAWQLP") is accounted for within the Program. Under the AAWQLP, the ANRC establishes noninterest-bearing cash accounts with financial institutions. In fiscal year 2007, an agreement was established with AgriBank in which AAWQLP would purchase a noninterest-bearing bond in conjunction with loans made by AgriBank under the AAWQLP guidelines. Loans are originated by the financial institution or AgriBank to the farmers or property owners that provide for the installation of water quality, antipollution equipment. Interest income normally earned on these balances at the financial institutions or on the bond is used to reduce the interest rates applicable to the loans obtained by the farmers or other property owners. ANRC has established a program contribution limit to AAWQLP in the amount of \$25 million. As of June 30, 2025 and 2024, the AAWQLP had \$5.7 million in deposits and investments with various financial institutions.

b. Estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

c. **Measurement focus and basis of accounting** – The Program is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Program's combined statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

d. Recently issued accounting pronouncements – Governmental Accounting Standards Board ("GASB") Statement No. 102, "Certain Risk Disclosures." The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement will improve financial reporting by providing users of the combined financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this statement are effective for fiscal years beginning after June 15, 2024 with earlier adoption encouraged. During the year ended June 30, 2025, the Program adopted this statement, which did not have a material impact on its combined financial statements.

GASB Statement No. 103, "Financial Reporting Model Improvements." The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. For governments engaged in business-type activities, the primary impact of this statement will be changes to the combined statement of revenues, expenditures, and changes in net position ("SRECNP"). This statement not only changes the required sections and subtotals to be included in the SRECNP but creates new definitions for subsidies and operating and nonoperating revenues and expenses. Upon adoption, the new definitions may cause reclassifications of revenues and expenses within the SRECNP. This statement also impacts other financial statement presentation requirements, including major component units, unusual or infrequent items, and management's discussion and analysis. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter with earlier adoption encouraged. The Program has not determined the impact, if any, this statement could have on its combined financial statements.

e. Cash and cash equivalents – The Program considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2025 and 2024, cash equivalents of approximately \$146.2 million and \$101.6 million, respectively, consisted primarily of money market mutual funds with variable interest rates and the State Treasury Money Management Trust Fund ("MMTF"), which is recorded at fair value.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

# 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Included in cash equivalents on the Program's combined statements of net position is the Fees and Expense Fund with a balance of approximately \$31.0 million and \$25.4 million at June 30, 2025 and 2024, respectively. This fund contains fees charged on loans of the Program as allowed by the EPA, federal grant administration set aside funds and interest earnings of the fund. These funds may be used at the discretion of the ANRC to fund expenses of the Program.

- f. **Investments** Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income is related to interest earned on cash, cash equivalents, and investments.
- g. **Bond premiums** Premiums on sales of bonds are capitalized and are amortized over the term of the bonds using the effective interest method. Early retirement of bonds results in the acceleration of amortization of premiums.
- h. **Financing fees** The Program receives up to a 1% annual financing fee from borrowers as part of their contractual payment.
- i. Net position restricted by bond resolution, enabling legislation, and Program requirements

   Net position restricted by bond resolution, enabling legislation, and Program requirements represent funds restricted due to the specific provisions of the Program.
- j. **Income taxes** As an essential government function of the State of Arkansas, the Program is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

## 2. Deposits and Investments

**Deposits** 

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law and bond indentures. Deposits are collateralized for those amounts exceeding federal depository insurance, typically with obligations of the U.S. Treasury, U.S. agencies or instrumentalities or municipal bonds having an aggregate market value at least equal to 105% of the amount of the deposits as directed in the State Board of Finance Cash Management of Funds Rule 2012-A.

At June 30, 2025 and 2024, \$2.0 million and \$1.8 million, respectively, of the Program's deposits (and carrying value) of \$2.9 million and \$2.8 million, respectively, were exposed to custodial credit risk as follows:

|   | <u> 2025</u> | <u>2024</u> |
|---|--------------|-------------|
| (In thousands)                                    |              |             |
| Uninsured and collateral held by Pledging         |              |             |
| Financial Institution agent in the Program's name | \$<br>2,004  | \$<br>1,754 |

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

# 2. <u>Deposits and Investments</u> (cont.)

Investments

Arkansas statutes authorize the Program to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings, or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; guaranteed investment contracts; and bank certificates of deposit.

At June 30, 2025 and 2024, the Program had the following investments and maturities:

|   |             | Maturitie    | s in Y | ears          |    |            | _  |              |
|---|-------------|--------------|--------|---------------|----|------------|----|--------------|
| (In thousands)                          | Less than 1 | <u>1 - 5</u> |        | <u>6 - 10</u> | Mo | re than 10 |    | <u>Total</u> |
| June 30, 2025 U.S. agencies obligations | \$ 2,871    | \$<br>       | \$     |               | \$ |            | \$ | 2,871        |
| June 30, 2024 U.S. agencies obligations | \$ 2,931    | \$<br>       | \$     |               | \$ |            | \$ | 2,931        |

- a. Interest rate risk As a means of limiting its exposure to fair value losses due to rising interest rates, the Program limits the maturity of investments to expected cash flow needs of the Program. The Program has also begun investing in an internal governmental investment pool administrated by the State of Arkansas. The Program may request withdrawal of its funds with one business days' notice.
- b. Credit risk Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025 and 2024, all the Program's investments in U.S. agencies are directly guaranteed by the U.S. government. The Program's amounts in money market mutual funds, or investments of those funds, were rated "AAAm" or "AAA" by Standard & Poor's and "Aaa-mf" or "Aaa" by Moody's Investors Service.
- c. Custodial credit risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Program's investment in mutual funds is not classified by custodial credit risk category, as they are not supported by securities in physical or book entry form.

#### **Notes to Combined Financial Statements**

## June 30, 2025 and 2024

# 2. <u>Deposits and Investments</u> (cont.)

d. Concentration of credit risk – The Program places no limit on the amount that may be invested in any one issuer. Investments of the Program (not guaranteed by the U.S. government or considered mutual funds) representing 5% or more of total investments are as follows:

|  |            | 202     | 25         | 2024       |                   |  |  |  |
|--|------------|---------|------------|------------|-------------------|--|--|--|
| <u>Issuer</u>                                | <u>Fai</u> | r Value | Percentage | Fair Value | <u>Percentage</u> |  |  |  |
| (In thousands) Federal Farm Credit Bank bond | \$         | 2,871   | 100%       | \$ 2,931   | 100%              |  |  |  |

Summary of Carrying Values

The carrying values of deposits, money market mutual funds, the State Treasury MMTF, and investments are included in the combined statements of net position as follows:

|                           | <u>2025</u>   | <u>2024</u>   |
|---------------------------|---------------|---------------|
| (In thousands)            |               |               |
| Carrying values           |               |               |
| Deposits                  | \$<br>2,862   | \$<br>2,777   |
| Money market mutual funds | 120,219       | 76,782        |
| State Treasury MMTF       | 23,124        | 22,060        |
| Investments               | <br>2,871     | <br>2,931     |
|                           |               |               |
|                           | \$<br>149,076 | \$<br>104,550 |

Included in the following combined statements of net position captions:

| (In the second                           |           | <u>2025</u> |    | <u>2024</u> |
|--|-----------|-------------|----|-------------|
| (In thousands) Cash and cash equivalents | \$        | 146,205     | \$ | 101,619     |
| Investments                              | Ψ         | 2,871       | Ψ  | 2,931       |
|  |           |             |    |             |
|  | <u>\$</u> | 149,076     | \$ | 104,550     |

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

## 3. Loans Receivable

The Program originates loans with Arkansas municipalities, sewer improvement districts, and water facilities boards for financing the construction of wastewater treatment facilities. The loans are payable in monthly and semiannual installments. At June 30, 2025 and 2024, such loans had a carrying value of approximately \$516.0 million and \$461.5 million, respectively, of which approximately \$176.1 million and \$158.2 million, respectively, are for projects still under construction. The loans bear interest ranging from 0.00% to 3.00% and are collateralized by special assessments, user charges or sales and use tax bonds issued by the municipalities, sewer improvement districts, and water facilities board.

In fiscal year 2010, the Program funded loans with American Recovery and Reinvestment Act ("ARRA") federal funds. At June 30, 2025, the Program's current loan balance of ARRA loans was \$715,903, which was funded with ARRA and other program funds. This balance is included in loans receivable - restricted on the accompanying combined statements of net position.

During the years ended June 30, 2025 and 2024, \$1.60 billion and \$1.41 billion, respectively, in cumulative loans had been approved for funding. At June 30, 2025 and 2024, \$352.1 million and \$235.2 million, respectively, remained encumbered and awaiting disbursement to loan recipients.

#### 4. Bonds Payable

Bonds payable consist of the following:

|               | 45                                  | Final<br>Maturity | <u>2025</u>           |       | <u>2024</u>     |
|---------------|-------------------------------------|-------------------|-----------------------|-------|-----------------|
| <u>Series</u> | Interest Rate Range                 | <u>Date</u>       | <br>(In tho           | ısand | (s)             |
| 2023 Serial   | 5.0%                                | June 1, 2043      | \$<br>83,125          | \$    | 70,035          |
| 2025 Serial   | 5.0%                                | June 1, 2046      | 47,515                |       | -               |
| 2025 Term     | 5.0%                                | June 1, 2050      | <br>16,440            |       | -               |
|               |                                     |                   | <br>63,955            |       | -               |
|               | Total bonds<br>Unamortized premiums |                   | <br>147,080<br>14,472 |       | 70,035<br>7,348 |
|               | Net bonds payable                   |                   | \$<br>161,552         | \$    | 77,383          |

#### **Notes to Combined Financial Statements**

# June 30, 2025 and 2024

# 4. Bonds Payable (cont.)

Activity in bonds payable consists of the following:

|                         |          |                |                          |          |    |          |              |          |         | Amo  | ount Due |
|-------------------------|----------|----------------|--------------------------|----------|----|----------|--------------|----------|---------|------|----------|
|                         | Ве       | eginning       |                          |          |    |          |              |          | Ending  | witl | nin One  |
|                         | <u>B</u> | <u>Balance</u> | $\underline{\mathbf{A}}$ | dditions | Re | ductions | Reallocation |          | Balance |      | Year     |
| (In thousands)          |          |                |                          |          |    |          |              |          |         | N    |          |
| June 30, 2025           |          |                |                          |          |    |          |              |          |         |      |          |
| 2023 Serial             | \$       | 70,035         | \$                       | -        | \$ | (4,985)  | \$ 18,075    | \$       | 83,125  | \$   | 6,220    |
| 2025 Serial and Term    |          | -              |                          | 63,955   |    | -        | -            |          | 63,955  |      | -        |
| 2020 201101 0110 101111 |          |                |                          |          |    |          |              |          |         |      |          |
|                         | •        | 70,035         | \$                       | 63,955   | \$ | (4,985)  | \$ 18,075    | ¢        | 147,080 | \$   | 6,220    |
|                         | Ψ        | 70,033         | Ψ                        | 03,733   | Ψ  | (4,763)  | J 10,073     | <u> </u> | 147,000 | Φ    | 0,220    |
|                         |          |                |                          |          |    |          |              |          |         |      |          |
| <u>June 30, 2024</u>    |          |                |                          |          |    |          |              |          |         |      |          |
| 2023 Serial             | \$       | -              | \$                       | 72,590   | \$ | (2,555)  | \$ -         | \$       | 70,035  | \$   | 3,410    |

The principal amount shown above differs from the amount on the combined statements of net position due to unamortized premiums of approximately \$14.5 million and \$7.3 million at June 30, 2025 and 2024, respectively.

Annual debt service requirements to maturity for bonds payable are as follows:

|                             | <u>Pr</u> | rincipal<br>(In thoi | -  | Interest<br>ls) |
|-----------------------------|-----------|----------------------|----|-----------------|
| Fiscal Year Ending June 30, |           |                      |    |                 |
| 2026                        | \$        | 6,220                | \$ | 8,118           |
| 2027                        |           | 8,315                |    | 7,043           |
| 2028                        |           | 8,650                |    | 6,627           |
| 2029                        |           | 8,935                |    | 6,195           |
| 2030                        |           | 9,410                |    | 5,748           |
| 2031 - 2035                 |           | 34,330               |    | 23,080          |
| 2036 - 2040                 |           | 28,885               |    | 14,522          |
| 2041 - 2045                 |           | 22,265               |    | 8,101           |
| 2046 - 2050                 |           | 20,070               |    | 3,109           |
|                             |           | 147,080              |    | 82,543          |
| Unamortized premiums        |           | 14,472               |    |                 |
|                             | <u>\$</u> | 161,552              | \$ | 82,543          |

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

## 4. **Bonds Payable** (cont.)

During fiscal 2025 and 2024, ADFA issued approximately \$64.0 million and \$72.6 million, respectively, in Revolving Loan Fund Revenue Bond, Series 2023 for the benefit of the Program. The proceeds from the issuance of the bonds, along with other funds, will be used to fund, in whole or in part, Clean Water State Revolving Fund ("CWSRF") loans and to pay underwriters compensation and other costs of issuance. In fiscal year 2025, \$18.1 million in bond proceeds were reallocated from the Safe Drinking Water State Revolving Fund to the CWSRF. This reallocation, executed at par and incorporated into the Series 2023 bonds, was undertaken to enhance funding flexibility and support evolving programmatic needs.

# 5. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level I Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level II Quoted prices in markets that are not active or inputs, which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level III Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

#### Recurring Measurements

The following table presents the fair value measurements of assets recognized on the accompanying combined financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

|                           |            |         | Quoted | l Prices      |         |              |             |           |
|---------------------------|------------|---------|--------|---------------|---------|--------------|-------------|-----------|
|                           |            |         | in A   | ctive         | Signifi | cant         |             |           |
|                           |            |         | Marke  | ets for       | Oth     | er           | Sig         | nificant  |
| <i>Y</i>                  |            |         | Iden   | tical         | Observ  | able         | Unol        | oservable |
|                           |            |         | Ass    | sets          | Inpu    | ıts          | ľ           | nputs     |
|                           | <u>Fai</u> | r Value | (Lev   | <u>/el I)</u> | (Leve   | <u>1 II)</u> | (Level III) |           |
| (In thousands)            |            |         |        |               |         |              |             |           |
| June 30, 2025             |            |         |        |               |         |              |             |           |
| U.S. agencies obligations | \$         | 2,871   | \$     |               | \$      | -            | \$          | 2,871     |

#### Notes to Combined Financial Statements

June 30, 2025 and 2024

# 5. Fair Value of Financial Instruments (cont.)

|                           |            |         | Quoted Prices<br>in Active | Significant |              |
|---------------------------|------------|---------|----------------------------|-------------|--------------|
|                           |            |         | Markets for                | Other       | Significant  |
|                           |            |         | Identical                  | Observable  | Unobservable |
|                           |            |         | Assets                     | Inputs      | Inputs       |
|                           | <u>Fai</u> | r Value | (Level I)                  | (Level II)  | (Level III)  |
| (In thousands)            |            |         |                            |             |              |
| June 30, 2024             |            |         |                            |             |              |
| U.S. agencies obligations | \$         | 2,931   | \$ -                       | \$          | \$ 2,931     |

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized on the accompanying combined financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2025 or 2024.

Where quoted market prices are available in an active market, securities are classified within Level I of the valuation hierarchy. The Program's investments were not classified as Level I securities at June 30, 2025 or 2024. In certain cases where Level I or Level II inputs are not available, securities are classified within Level III of the hierarchy. The Program has classified one investment as Level III. The Program has a relationship with AgriBank in where the Program purchases a Federal Farm Credit Bank bond. This investment is marketed only to the Program and the Program has concluded the fair market value to be equal to the par amount.

# 6. Concentrations

Economic Dependency

The Program's federal revenue is dependent upon the amount of annual federal grants awarded and the amounts available for disbursement. The amount awarded varies from year to year and does have an impact on the Program's total revenue. For the years ended June 30, 2025 and 2024, the Program received 25% and 15%, respectively, of total revenue in the form of federal grants. As of June 30, 2025 and 2024, the Program has \$52.5 million and \$36.7 million, respectively, of the federal fiscal years grants remaining to disburse.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

## 6. Concentrations (cont.)

Principal Forgiveness Loans

In fiscal year 2013, the Program began funding principal forgiveness ("PF") loans with base federal capitalization grant funds. The EPA requires, as part of the base capitalization grant requirements, that a percentage of the grant be available as subsidy to eligible borrowers. States are required to provide a minimum amount of 10% additional subsidization for fiscal years 2020 - 2023 base grants. In federal fiscal year 2022, the Bipartisan Infrastructure Law ("BIL")/Infrastructure Investment Jobs Act created additional funding for the Program. For fiscal years 2022 and 2023, BIL General ("Gen") capitalization grant, a minimum of 49% additional subsidy is required for disadvantaged communities.

The amendments to the Clean Water Act, also known as the Water Resources Reform and Development Act ("WRRDA") signed into law by President Obama on June 10, 2014, provide an additional 30% available for additional subsidization (WRRDA Sec. 603 (i)) and applies to amounts received by the state in capitalization grants for federal fiscal years beginning after September 30, 2014. Going forward, there is no minimum additional subsidy requirement that CWSRFs must comply with per the amendments.

The 2016 through the 2020 Cap Grant conditions has a minimum for additional subsidy. In addition to the additional subsidy that can be used at a state's discretion as described in the WRRDA, the recipient agrees to use 10% of the funds available in the capitalization grant to provide additional subsidy to eligible recipients. In fiscal year 2024, the EPA approved accessing the authority for maximum additional subsidies for the 2010, 2016, 2017, and 2018 capitalization grants.

Affordability Criteria/Additional Subsidization

The Federal Water Pollution Control Act section 603(i)(2) requires states to develop affordability criteria that will assist them in identifying applicants that would have difficulty financing projects without additional subsidization. Arkansas provides additional subsidization in the form of principal forgiveness.

ANRC has developed the following affordability criteria to determine if a project is eligible for additional subsidization funds for the CWSRF:

- 1. The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis are at least 1.5% of the Median Household Income ("MHI") for the project area.
- 2. If 51% of the customers who benefit from a project are either low or moderate income as defined by the U.S. Department of Housing and Urban Development's Community Block Grant Program; and have 1.25% of MHI.

Once a project has been determined to be eligible for additional subsidization from the CWSRF, additional priority will be given to projects that meet the Green standards set by ANRC. ANRC has allocated approximately \$191 million for projects or project components eligible for additional subsidization.

#### **Notes to Combined Financial Statements**

#### June 30, 2025 and 2024

## 6. Concentrations (cont.)

The chart below shows the minimum and maximum allowed for PF loans:

| Federal<br>Fiscal Year |    | Grant<br>Award<br>Amount | Minimum Maxim |       | O Sub PF<br>aximum<br>amount | 8     |    |       |     | umulative<br>bursements | PF Amount<br>Remaining<br>to Fund |       |    |        |
|------------------------|----|--------------------------|---------------|-------|------------------------------|-------|----|-------|-----|-------------------------|-----------------------------------|-------|----|--------|
| 2010 D 1               | Φ. | 4.622                    | Φ.            | 4.620 | Φ.                           |       | Φ. | 4.620 | Φ.  | 1.620                   | 0                                 |       | Φ. | 4.622  |
| 2010-Reopened          | \$ | 4,633                    | \$            | 4,639 | \$                           | -     | \$ | 4,639 | \$  | 4,639                   | \$                                | 6     | \$ | 4,633  |
| 2016-Reopened          |    | 2,619                    |               | -     |                              | 2,619 |    | 2,619 |     | 2,619                   |                                   | -     |    | 2,619  |
| 2017-Reopened          |    | 2,598                    |               | 2,598 |                              | -     |    | -     |     | 2,598                   |                                   | -     |    | 2,598  |
| 2018-Reopened          |    | 3,150                    |               | -     |                              | 3,150 |    | 3,150 |     | 3,150                   |                                   | -     |    | 3,150  |
| 2020-Base-Closed       |    | 10,394                   |               | 1,039 |                              | 3,119 |    | 4,158 |     | 4,158                   |                                   | 4,158 |    | -      |
| 2021-Base              |    | 10,394                   |               | 1,039 |                              | 3,118 |    | 4,157 |     | 4,157                   |                                   | 1,307 |    | 2,850  |
| 2022-Base              |    | 7,570                    |               | 757   |                              | 2,271 |    | 3,028 |     | 757                     |                                   | -     |    | 757    |
| 2022-BIL Gen           |    | 11,642                   |               | -     |                              | 5,705 |    | 5,705 |     | 5,705                   |                                   | -     |    | 5,705  |
| 2023-Base              |    | 4,907                    |               | 491   |                              | 1,472 |    | 1,963 | , " | 1,184                   |                                   | -     |    | 1,184  |
| 2023-BIL Gen           |    | 13,635                   |               | -     |                              | 6,681 |    | 6,681 |     | 4,772                   |                                   | -     |    | 4,772  |
| 2024-Base              |    | 5,340                    |               | 534   |                              |       |    | 534   |     | 534                     |                                   | -     |    | 534    |
| 2024-BIL Gen           |    | 14,877                   |               | -     |                              | 7,290 |    | 7,290 |     | 7,290                   |                                   | -     |    | 7,290  |
| 2025-Base              |    | 10,378                   |               | 1,038 | _                            | -     |    | 1,038 |     | 1,038                   |                                   | -     |    | 1,038  |
| 2025-BIL Gen           |    | 16,115                   |               | - (   |                              | 7,896 |    | 7,896 |     | 7,896                   |                                   | -     |    | 7,896  |
|                        |    |                          |               |       |                              |       |    |       |     |                         | \$                                | 5,471 | \$ | 45,026 |

The EPA has financially and programmatically closed all Cap grants through the 2020 Cap Grant. The Program has allocated the maximum amount for federal fiscal years 2021, 2022, and 2023 base capitalization grants are presented above. The Program has the option to spend up to the maximum amount for each base capitalization grant. In March 2023, the EPA allowed ANRC to obtain unallocated subsidy funds from closed grants. ANRC was able to reclaim \$13.0 million in unused subsidy and allocated most of that in June 2023.

The Program forgives the loans as the construction draws are disbursed. In fiscal years 2025 and 2024, the Program expensed \$4.1 and \$2.0 million, respectively, in PF loans.

## Contingencies

The Program is partially capitalized by state funds and a federal grant program, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agency; therefore, to the extent the Program has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the management of the Program, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded on the accompanying combined financial statements for such a contingency.

## **Notes to Combined Financial Statements**

June 30, 2025 and 2024

# 7. Subsequent Events

The Program evaluated the events and transactions subsequent to its June 30, 2025 combined statement of net position date and determined there were no additional significant events, other than disclosed in Note 1.a., to report through \_\_\_\_\_\_, 2025, which is the date the Program issued its combined financial statements.

# **Combining Statement of Net Position**

# June 30, 2025

# (In Thousands)

| <u>Assets</u>  |    | Revolving<br>Loan Fund                         | Fees and Expense |  | Technical<br>Assistance |                  |           | <u>Total</u>                                     |  |
|--|----|--|------------------|--|-------------------------|------------------|-----------|--|--|
| Current assets Cash and cash equivalents Accrued interest receivable Cash Loans Accounts receivable - borrowers Investments Total current assets | \$ | 115,220<br>394<br>118<br>-<br>2,871<br>118,603 | \$               | 30,985<br>105<br>-<br>128<br>-<br>31,218 | \$                      | - (              | \$        | 146,205<br>499<br>118<br>128<br>2,871<br>149,821 |  |
| Noncurrent assets  Loans receivable - restricted  Construction  Wetlands mitigation  Total noncurrent assets                                     | _  | 515,618  | 5                | 334<br>334                               | _                       | -<br>-<br>-      |           | 515,618<br>334<br>515,952                        |  |
| Total assets <u>Liabilities and Net Position</u>   | \$ | 634,221  | \$               | 31,552                                   | \$                      |                  | <u>\$</u> | 665,773  |  |
| Current liabilities Accounts payable Accrued interest payable Current portion of bonds payable Total current liabilities                         | \$ | 42<br>1,377<br>6,220<br>7,639                  | \$               | 371                                      | \$                      | -<br>-<br>-<br>- | \$        | 413<br>1,377<br>6,220<br>8,010                   |  |
| Noncurrent liabilities  Bonds payable including unamortized premiums of \$14,472, net of current portion  Total liabilities                      |    | 155,332<br>162,971                             |                  | 371                                      |                         |                  |           | 155,332<br>163,342                               |  |
| Net position Restricted by bond resolution, enabling legislation, and Program requirements   | \$ | 471,250  | \$               | 31,181                                   | <u>\$</u>               | _                | <u>\$</u> | 502,431  |  |

# Combining Statement of Revenues, Expenses, and Changes in Net Position

# For the Year Ended June 30, 2025

# (In Thousands)

| Operating revenues  | Revolving<br><u>Loan Fund</u> |                  | Technical Assistance | <u>Total</u>               |
|---|-------------------------------|------------------|----------------------|----------------------------|
| Interest on cash and investments Interest on loans Financing fee income | \$ 3,43                       |                  | \$ -                 | \$ 4,696<br>5,199<br>4,844 |
| Net depreciation of investments   | _ (                           | $(4) \qquad (9)$ |                      | (13)                       |
| Total operating revenues  | 8,62                          | 6,099            |                      | 14,726                     |
| Operating expenses  |                               |                  |                      |                            |
| Program administration Federal financial assistance                     | 59                            | 585              | -                    | 1,182                      |
| Base federal grants   | 4,02                          | 21 -             | -                    | 4,021                      |
| BIL/IIJA federal grants   |                               | 9                | 29                   | 38                         |
| Bond interest   | 5,03                          |                  | -                    | 5,038                      |
| Amortization of bond premiums   | (1,46                         | -                |                      | (1,460)                    |
| Total operating expenses  | 8,20                          | 585              | 29                   | 8,819                      |
|   |                               | <i>y</i>         |                      |                            |
| Operating income (loss)   | 42                            | 22 5,514         | (29)                 | 5,907                      |
|   |                               |                  |                      |                            |
| Nonoperating revenue  | 4.00                          |                  |                      | 4.021                      |
| Base federal grants   | 4,02                          |                  | - 20                 | 4,021                      |
| BIL/IIJA federal grants   | 4.02                          | 9 852            | 29                   | 890                        |
| Total nonoperating revenue  | 4,03                          | 852              | 29                   | 4,911                      |
| Income before transfers in, net   | 4,45                          | 6,366            | -                    | 10,818                     |
| Transfers in (out), net   | 3,67                          | (829)            |                      | 2,847                      |
| Changes in net position   | 8,12                          | 2.8 5,537        | -                    | 13,665                     |
| Net position - beginning of year  | 463,12                        | 25,644           |                      | 488,766                    |
| Net position - end of year  | \$ 471,25                     | <u>\$ 31,181</u> | \$ -                 | \$ 502,431                 |

# **Combining Statement of Cash Flows**

# For the Year Ended June 30, 2025

# (In Thousands)

|  | Revolving Fees |             | Technical  |              |  |  |
|--|----------------|-------------|------------|--------------|--|--|
|  | Loan Fund      | and Expense | Assistance | <u>Total</u> |  |  |
| Cash flows from operating activities                                     |                |             |            |              |  |  |
| Financing fee income received  | \$ -           | \$ 4,892    | \$ -       | \$ 4,892     |  |  |
| Cash paid for program administration                                     | (7)            | (545)       |            | (552)        |  |  |
| Net cash provided (used) by operating activities                         | (7)            | 4,347       |            | 4,340        |  |  |
| 1  |                |             |            |              |  |  |
| Cash flows from noncapital financing activities                          |                |             |            |              |  |  |
| Proceeds from issuance of bonds payable                                  | 70,614         |             | -          | 70,614       |  |  |
| Bond proceeds reallocated - 2023 bonds                                   | 20,000         |             | _          | 20,000       |  |  |
| Repayments of bonds payable  | (4,985)        | -           | _          | (4,985)      |  |  |
| Cash paid for interest   | (3,953)        |             | _          | (3,953)      |  |  |
| Cash paid for bond issuance costs  | (597)          |             | _          | (597)        |  |  |
| Transfers in (out), net  | 3,676          | (829)       | _          | 2,847        |  |  |
| Nonoperating grants received   | 4,030          | 852         | 29         | 4,911        |  |  |
| Net cash provided by noncapital financing activities                     | 88,785         | 23          | 29         | 88,837       |  |  |
| ivet easii provided by noneapital infallering activities                 | 66,765         |             |            | 00,037       |  |  |
| Cash flows from investing activities                                     |                |             |            |              |  |  |
| Interest received on cash and investments                                | 3,360          | 1,267       |            | 4,627        |  |  |
| Interest received on loans   | 5,220          | 1,207       | -          | 5,220        |  |  |
| Purchase of investments  | (3,100)        | -           | -          | (3,100)      |  |  |
| Proceeds from maturities of investments, net                             | 3,156          | (9)         | -          | 3,147        |  |  |
| Loan disbursements   | *              |             | -          |              |  |  |
|  | (80,318)       | -           | -          | (80,318)     |  |  |
| Principal repayments on loans  | 25,892         | -           | (20)       | 25,892       |  |  |
| Federal grant funds expended   | (4,030)        |             | (29)       | (4,059)      |  |  |
| Net cash provided (used) by investing activities                         | (49,820)       | 1,258       | (29)       | (48,591)     |  |  |
| Net increase in cash and cash equivalents                                | 38,958         | 5,628       | _          | 44,586       |  |  |
| Not increase in easil and easil equivalents                              | 30,730         | 3,020       |            | 44,500       |  |  |
| Cash and cash equivalents - beginning of year                            | 76,262         | 25,357      |            | 101,619      |  |  |
| Cash and cash equivalents - end of year                                  | \$ 115,220     | \$ 30,985   | _          | \$ 146,205   |  |  |
|  | <u>*,</u>      | <del></del> |            | <del>*</del> |  |  |
|  |                |             |            |              |  |  |
| Reconciliation of changes in net position to net cash provided (used) by |                |             |            |              |  |  |
| operating activities   |                |             |            |              |  |  |
| Operating income (loss)  | \$ 422         | \$ 5,514    | \$ (29)    | \$ 5,907     |  |  |
| Adjustments to reconcile operating income (loss) of changes in net       |                |             |            |              |  |  |
| position to net cash provided (used) by operating activities             |                |             |            |              |  |  |
| Interest on cash and investments   | (3,432)        | (1,264)     | -          | (4,696)      |  |  |
| Interest on loans  | (5,199)        | -           | -          | (5,199)      |  |  |
| Bond interest  | 5,038          | -           | -          | 5,038        |  |  |
| Amortization of bond premiums  | (1,460)        | -           | -          | (1,460)      |  |  |
| Bond issuance costs  | 597            | -           | -          | 597          |  |  |
| Net depreciation of investments  | 4              | 9           | -          | 13           |  |  |
| Federal grants expended  | 4,030          | -           | 29         | 4,059        |  |  |
| Changes in operating assets and liabilities                              |                |             |            |              |  |  |
| Accounts receivable - borrowers  | -              | 48          | -          | 48           |  |  |
| Accounts payable   | (7)            | 40          |            | 33           |  |  |
| Net cash provided (used) by operating activities                         | \$ (7)         | \$ 4,347    | \$ -       | \$ 4,340     |  |  |
| 1. To the provided (about) of operating activities                       |                |             |            |              |  |  |

See independent auditor's report.

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, 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* ("GAS") issued by the Comptroller General of the United States, the combined financial statements of the State of Arkansas Construction Assistance Revolving Loan Fund Program, which comprise the combined statement of net position as of June 30, 2025, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated \_\_\_\_\_\_, 2025, which contained an "emphasis of matter" paragraph regarding a definition of the reporting entity.

# **Report on Internal Control Over Financial Reporting**

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

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

# **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Arkansas Construction Assistance Revolving Loan Fund Program's combined 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *GAS*.

# **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 State of Arkansas Construction Assistance Revolving Loan Fund Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *GAS* in considering the State of Arkansas Construction Assistance Revolving Loan Fund Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

Little Rock, Arkansas

# Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

## Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the State of Arkansas Construction Assistance Revolving Loan Fund Program's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State of Arkansas Construction Assistance Revolving Loan Fund Program's major federal programs for the year ended June 30, 2025. The State of Arkansas Construction Assistance Revolving Loan Fund Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the State of Arkansas Construction Assistance Revolving Loan Fund Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards ("GAS"), 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Arkansas Construction Assistance Revolving Loan Fund Program and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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 the State of Arkansas Construction Assistance Revolving Loan Fund Program's federal programs.

# Auditor's 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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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 GAAS, GAS, 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 State of Arkansas Construction Assistance Revolving Loan Fund Program's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAS, 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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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 State of Arkansas Construction Assistance Revolving Loan Fund Program'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.

Certified Public Accountants

Little Rock, Arkansas , 2025

# **Schedule of Findings and Questioned Costs**

# For the Year Ended June 30, 2025

# Section I – Summary of Auditor's Results

| Combined Financial Statements  |            | CX                |
|--|------------|-------------------|
| Type of auditor's report issued: Unmodified  |            |                   |
| Internal control over financial reporting:   |            |                   |
| <ul><li>Material weakness(es) identified?</li></ul>  | Yes        | _X_ No            |
| • Significant deficiency(ies) identified?  | Yes        | _X_ None Reported |
| Noncompliance material to combined financial statements noted?   | Yes        | X No              |
| Federal Awards   |            |                   |
| Internal control over major programs:  |            |                   |
| Material weakness(es) identified?  | Yes        | X No              |
| Significant deficiency(ies) identified?  | Yes        | _X_ None Reported |
| Type of auditor's report issued on compliance for major federal programs.                              |            | Unmodified        |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        | X No              |
| Identification of major federal programs:  |            |                   |
| Federal Assistance Listing ("FAL") Number(s) and Name of Federal Program or Cluster                    |            |                   |
| Capitalization Grants for Clean Water State Revolving Funds  | 66.458     |                   |
| Dollar threshold used to distinguish between type A and type B programs:                               | \$ 750,000 |                   |
| Auditee qualified as a low-risk auditee?   | X Yes      | No                |

# **Summary Schedule of Prior Audit Findings**

# For the Year Ended June 30, 2025

No matters were reported in the June 30, 2024 Schedule of Findings and Questioned Costs.

# **Schedule of Expenditures of Federal Awards**

# For the Year Ended June 30, 2025

(In Thousands)

|   |               |                      | Total               |
|---|---------------|----------------------|---------------------|
| Federal Grantor/Pass-Through  | FAL           | Provided to          | Federal             |
| Grantor Program or Cluster Title  | <u>Number</u> | <b>Subrecipients</b> | <b>Expenditures</b> |
| U.S. Environmental Protection Agency/Capitalization<br>Grants for Clean Water State Revolving Funds |               | - 40                 | 9                   |
| (Clean Water State Revolving Fund Cluster)  | 66.458        | \$ 4,030             | \$ 4,911            |

## **Notes to Schedule of Expenditures of Federal Awards**

# For the Year Ended June 30, 2025

- 1. The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of the State of Arkansas Construction Assistance Revolving Loan Fund Program under programs of the federal government for the year ended June 30, 2025. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the State of Arkansas Construction Assistance Revolving Loan Fund Program, it is not intended to and does not present the net position, changes in net position or cash flows of the State of Arkansas Construction Assistance Revolving Loan Fund Program.
- 2. Expenditures reported on the SEFA are reported on the accrual basis of accounting. Disbursements are recognized following, as applicable, the cost principles in the U.S. Office of Management and Budget's Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The State of Arkansas Construction Assistance Revolving Loan Fund Program has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- 3. Expenditures reflected in FAL 66.458, Capitalization Grants for the Clean Water State Revolving Funds, include loans to municipalities and other public entities for construction of water treatment facilities. The funding source for these loans includes federal grant funds, state match funds, bond funds, and revolving program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The State of Arkansas Construction Assistance Revolving Loan Fund Program's outstanding loan receivable balance from subrecipients from all funding sources was \$516.0 million for the year ended June 30, 2025. During fiscal year 2025, approximately \$4.1 million of loans were forgiven. Total federal disbursements totaled approximately \$4.1 million during fiscal year 2025, which represented funding for principal forgiveness and repayable loans.

# TAB 6

# Safe Drinking Water Revolving Loan Fund Program

Fiscal Year 2025 Discussion Draft

# **Communication With Those Charged With Governance**

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

We have audited the combined financial statements of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program (the "Program") as of and for the year ended June 30, 2025, and have issued our report thereon dated \_\_\_\_\_\_, 2025. Professional standards require that we advise you of the following matters relating to our audit.

# Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 20, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the combined financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our audit of the combined financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement. An audit of combined financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Program solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

# Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

# **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

# **Significant Risks Identified**

We are required to communicate to you significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. We have identified the following significant risks:

- Improper revenue recognition is presumed, by auditing standards, to be a risk of fraud.
- Management's override of controls is presumed, by auditing standards, to be a risk of fraud.

We responded to these risks by performing procedures such as, but not limited to, 1) Specific journal entry testing; 2) Inquiry with management and others in the Program; 3) Internal control evaluation; and 4) Specific testing of revenue transactions. Based on these tests, along with our other audit procedures, we found no adjustments required to be made with respect to these significant risk areas in order to keep the combined financial statements from being materially misstated.

# **Qualitative Aspects of the Entity's Significant Accounting Practices**

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Program is included in Note 1 to the combined financial statements. As described in Note 1.d. to the combined financial statements, during the year, the Program adopted Governmental Accounting Standards Board Statement No. 102, "Certain Risk Disclosures." No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the combined financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the combined financial statements, and the processes used by management as the basis for their estimate, is as follows:

• Operating revenues – Operating revenues are recognized primarily from interest income on loans and financing fee income. Interest income is calculated based on the stated interest rate for each loan, and financing fee income is calculated based on the stated financing fee rate for each loan.

We evaluated the factors and assumptions used to develop the estimate and determined it is reasonable in relation to the basic combined financial statements taken as a whole and in relation to the applicable opinion units.

#### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Program's combined financial statements relate to:

- Note 3 Loans Receivable
- Note 5 Concentrations
- Note 6 Subsequent Events

# Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

# **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures, and the combined financial statements as a whole and each applicable opinion unit. There were no such uncorrected misstatements noted during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no such corrected misstatements noted during our audit.

# **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Program's combined financial statements or the auditor's report. No such disagreements arose during the course of the audit.

# Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated , 2025.

# **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

# Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Program, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Program's auditors.

# **Modification of the Auditor's Report**

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1.a., the combined financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

\* \* \* \* \* \*

This report is intended solely for the information and use of the Commissioners of the Arkansas Natural Resources Commission, the Board of Directors of the Arkansas Development Finance Authority, and management of the Program, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank all of the personnel of the Program for their assistance during the audit. We appreciate the opportunity to present these comments and are available to discuss these matters further at your convenience.

Certified Public Accountants

Little Rock, Arkansas , 2025

A copy of the signed management representation letter will accompany this letter when finals are printed.

# Safe Drinking Water Revolving Loan Fund Program

# Fiscal Year 2025 Financial Statement Discussion Draft

# STATE OF ARKANSAS SAFE DRINKING WATER REVOLVING LOAN FUND PROGRAM

June 30, 2025 and 2024

Combined Financial Statements

And

Supplementary Information

With

**Independent Auditor's Report** 



# **Table of Contents**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1 – 3       |
| Management's Discussion and Analysis   | 4 – 9       |
| Combined Financial Statements  |             |
| Combined Statements of Net Position.   | 10          |
| Combined Statements of Revenues, Expenses, and Changes in Net Position   | 11          |
| Combined Statements of Cash Flows  | 12          |
| Notes to Combined Financial Statements   | 13 – 21     |
| Supplementary Information  |             |
| Combining Statement of Net Position as of June 30, 2025  | 22          |
| Combining Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2025  | 23          |
| Combining Statement of Cash Flows for the Year Ended June 30, 2025   | 24 – 25     |
| Compliance and Internal Control Section  |             |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards | 26 – 27     |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance   | 28 – 30     |
| Schedule of Findings and Questioned Costs for the Year Ended June 30, 2025   | 31          |
| Summary Schedule of Prior Audit Findings for the Year Ended June 30, 2025  | 32          |
| Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2025  | 33          |
| Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2025   | 34          |

# **Independent Auditor's Report**

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

# **Report on the Audited Combined Financial Statements**

**Opinions** 

We have audited the combined financial statements of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program, which comprise the combined statements of net position as of June 30, 2025 and 2024, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

# Basis for Opinions

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

## Emphasis of Matter

As discussed in Note 1.a., the accompanying combined financial statements present only the State of Arkansas Safe Drinking Water Revolving Loan Fund Program and do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's ability to continue as a going concern for 12 months beyond the combined financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audits of the Combined Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audits 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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

#### Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 combined financial statements, and other knowledge we obtained during our audits of the basic combined 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 audits were conducted for the purpose of forming opinions on the combined financial statements that collectively comprise the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's basic combined financial statements. The 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*, is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The supplementary information on pages 21 through 24 and the schedule of expenditures of federal awards on page 33 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic combined 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 combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

# Other Reporting Required by GAS

In accordance with GAS, we have also issued our report dated \_\_\_\_\_\_, 2025, on our consideration of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's internal control over financial reporting and compliance.

Certified Public Accountants

Little Rock, Arkansas \_\_\_\_\_, 2025

# STATE OF ARKANSAS SAFE DRINKING WATER REVOLVING LOAN FUND PROGRAM

# Management's Discussion and Analysis

#### For the Years Ended June 30, 2025 and 2024

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the Safe Drinking Water Revolving Loan Fund Program (the "Program"). Readers are encouraged to consider the information presented in conjunction with the combined financial statements and notes as a whole, which follow this section of the report.

# **Discussion of Combined Financial Statements**

The June 30, 2025 basic combined financial statements include three required statements: the combined statement of net position; the combined statement of revenues, expenses, and changes in net position; and the combined statement of cash flows. Comparative totals as of and for the years ended June 30, 2024 and 2023 are also presented. Although not required, these comparative totals are intended to facilitate an enhanced understanding of the Program's financial position and results of operations for the current fiscal year in comparison to the prior fiscal years. Additional information, following the *Notes to Combined Financial Statements*, includes the combining statement of net position; the combining statement of revenues, expenses, and changes in net position; as well as the combining statement of cash flows. These combining statements detail the Revolving Loan Fund, the Fees and Expense Set Aside, the Small System Technical Assistance Set Aside, the Well Head Protection Set Aside, the Capacity Development Set Aside and the State Program Management Set Aside, which comprise the Program.

#### **Condensed Financial Information – Combined Statements of Net Position**

|   | <u>2025</u>   | <u>2024</u>   | <u>2023</u>   |
|---|---------------|---------------|---------------|
| (In thousands)                            |               |               |               |
| Total assets                              | \$<br>366,232 | \$<br>367,041 | \$<br>316,186 |
| Liabilities                               |               |               |               |
| Current liabilities                       | 2,349         | 3,766         | 614           |
| Noncurrent liabilities                    | <br>19,980    | <br>34,885    | <br>          |
| Total liabilities                         | 22,329        | 38,651        | 614           |
| Net position                              |               |               |               |
| Restricted by bond resolution and Program |               |               |               |
| administration                            | \$<br>343,903 | \$<br>328,390 | \$<br>315,572 |

The Program's total assets decreased by \$809,000 after increasing over the prior two years. The decrease is primarily attributable to the use of \$87.1 million in cash and cash equivalents offset by an \$86.5 million increase in loans receivable, net. The \$87.1 million decline in cash and cash equivalents is primarily related to \$105.2 million in loan fundings net of loan repayments of \$18.7 million, along with a one-time, \$20 million reallocation of bond proceeds to the Construction Assistance Revolving Loan Fund ("CARLF") to provide for increased liquidity needs. The Program also issued 2025 Series bonds of \$4.5 million plus a premium of \$475,000, for an additional funding source, along with receipt of \$6.3 million in annual state matching funds and \$7.9 million in interest earnings. At June 30, 2024, total assets increased \$50.9 million from June 30, 2023, which is primarily attributable to cash and cash equivalents increasing \$49.8 million due to the issuance of bonds, loan prepayments, and interest earnings.

# STATE OF ARKANSAS SAFE DRINKING WATER REVOLVING LOAN FUND PROGRAM

## Management's Discussion and Analysis (cont.)

#### For the Years Ended June 30, 2025 and 2024

The following table reports loan activity for each year:

|   | <u>2025</u>   | <u>2024</u>  | 2023           |
|---|---------------|--------------|----------------|
| (In thousands)                              |               |              |                |
| Loan disbursements                          | \$<br>105,150 | \$<br>31,219 | \$<br>13,477   |
| Loan repayments                             | <br>18,657    | <br>30,232   | 25,947         |
|   |               |              |                |
| Net increase (decrease) in loans receivable | \$<br>86,493  | \$<br>987    | \$<br>(12,470) |

Grants from the Environmental Protection Agency ("EPA") comprised 0% of the funding source of the repayable loan disbursements for the last three fiscal years ended June 30, 2025, 2024, and 2023, respectively. Per EPA guidelines, federal grants are allocated between repayable and principal forgiveness loans and administrative costs. Depending on funds available, the amount funded from EPA base federal grants will fluctuate. The Program utilized EPA base grants to fund principal forgiveness loans in fiscal year 2025, totaling \$10.2 million. At June 30, 2025, the Program had \$22.6 million available from EPA base grants to fund repayable and principal forgiveness loans.

In addition to EPA grants, the Program has several other funding sources to meet the increasing loan activity, including program income from previously revolved loans, bond proceeds, and state matching funds. The table below reflects the amounts used from each funding source to fund repayable loans for fiscal years June 30, 2025, 2024, and 2023 as follows:

| <u>2025</u>   |                             | <u>2024</u>              |   | <u>2023</u>                                    |
|---------------|-----------------------------|--------------------------|---|--|
|               |                             |                          |   |  |
| \$<br>90,045  | \$                          | 8,316                    | \$  | 9,676  |
| 8,485         |                             | 18,216                   |   | -  |
| <br>6,620     |                             | 4,687                    |   | 3,801  |
| \$<br>105,150 | \$                          | 31,219                   | \$  | 13,477   |
| \$            | \$ 90,045<br>8,485<br>6,620 | \$ 90,045 \$ 8,485 6,620 | \$ 90,045 \$ 8,316<br>8,485 18,216<br>6,620 4,687 | \$ 90,045 \$ 8,316 \$ 8,485 18,216 6,620 4,687 |

The Program's loan disbursement activity increased \$73.9 million, or 237%, in fiscal year ending June 30, 2025, and \$17.7 million, or 132%, in fiscal year ending June 30, 2024. The aging water infrastructure and the added stimulus funds availability backed by the Bipartisan Infrastructure Law/Infrastructure Investment Jobs Act ("BIL/IIJA") grants have created the demand for increased safe drinking water projects in Arkansas. Typical loan projects include installation or replacement of existing water meters, water lines, and pump station projects for municipalities, water user associations, and public facilities boards.

# STATE OF ARKANSAS SAFE DRINKING WATER REVOLVING LOAN FUND PROGRAM

Management's Discussion and Analysis (cont.)

For the Years Ended June 30, 2025 and 2024

In addition to the Base grants, EPA awarded grants under BIL/IIJA for general ("Gen") capitalization grants in the amount of \$79.8 million, totaling for grant fiscal years 2024, 2023, and 2022; however, \$1.7 million in grant funds were reported during this fiscal year for loan fundings. Also from BIL/IIJA, the following additional grants were awarded in grant fiscal years 2024, 2023, and 2022 for grants totaling \$31.7 million for emerging contaminant ("EC") funding, and 2023 and 2022 grants totaling \$91.6 million for lead service line replacement ("LSL") funding. Only \$1.9 million in EC grants were expended during this fiscal year. The BIL/IIJA requires 49% of these awards to be additional subsidization in the form of principal forgiveness or grants for Gen capitalization and LSL awards, and 100% for EC awards. This additional subsidization must be provided to eligible assistance recipients who meet the Program's disadvantaged community criteria. In August 2024 and September 2024, additional EC grant awards of \$612,000 and \$1.4 million, respectively, were transferred to the Program from the State of Arkansas Construction Assistance Revolving Loan Fund Program and are included in the totals above. In addition to the Base grants, there was \$166.1 million available from BIL/IIJA grants to fund repayable and principal forgiveness loans at June 30, 2025.

The Program's loan repayments have increased over the past three years, which consists of the scheduled loan repayments and loan prepayments. The Program received prepayments from repayable loans totaling \$18.7 million in fiscal year 2025, \$17.2 million in fiscal year 2024, and \$13.4 million in fiscal year 2023.

The Program's total liabilities decreased to \$22.3 million at June 30, 2025, from \$38.7 million at June 30, 2024. The decrease is primarily due to the \$20.0 million reallocation of bonds to The "CARLF" program, as previously mentioned, offset by the new issuance of \$5.0 million in bonds during the fiscal year.

Management's Discussion and Analysis (cont.)

For the Years Ended June 30, 2025 and 2024

# **Condensed Financial Information – Combined Statements of Revenues, Expenses, and Changes in Net Position**

|                                  | <u>2025</u> | <u>2024</u> | 2023              |
|----------------------------------|-------------|-------------|-------------------|
| (In thousands)                   |             |             |                   |
| Operating revenues               |             |             |                   |
| Total interest income            | \$ 8,236    | \$ 9,453    | \$ 5,736          |
| Other income                     | 2,214       | 1,306       | 1,830             |
| Total operating revenues         | 10,450      | 10,759      | 7,566             |
| Operating expenses               |             |             |                   |
| Program administration           | 2,289       | 1,131       | 215               |
| Federal financial assistance     |             |             |                   |
| Base federal grants              | 10,220      | 3,400       | 283               |
| BIL/IIJA federal grants          | 3,625       | -           | -                 |
| Bond interest                    | 1,269       | 1,523       | -                 |
| Amortization of bond premiums    | (28         | (405)       |                   |
| Total operating expenses         | 17,375      | 5,649       | 498               |
| Operating income (loss)          | (6,925      | 5,110       | 7,068             |
| Base federal grants              | 10,326      | 6,607       | 3,955             |
| BIL/IIJA federal grants          | 9,598       | 1,042       | -<br>-            |
| Transfers in, net                | 2,514       | 59          | 892               |
| Changes in net position          | 15,513      | 12,818      | 11,915            |
| Net position - beginning of year | 328,390     | 315,572     | 303,657           |
| Net position - end of year       | \$ 343,903  | \$ 328,390  | <u>\$ 315,572</u> |

Total interest income has fluctuated over the past three years. Included in total interest income is interest earned on cash and interest earned on loans, which has declined to \$8.2 million for the year ended June 30, 2025. The decrease is due to the decrease of \$2.4 million in interest earned on cash, offset by an increase of \$1.3 million in interest earned from loans.

Management's Discussion and Analysis (cont.)

For the Years Ended June 30, 2025 and 2024

The Program periodically evaluates its liquidity needs and investment options, and earnings are monitored to provide additional income for the Program. The Program invested excess funds in money market mutual funds and the State Treasury Money Management Trust Fund ("MMTF") from time to time to allow for reevaluation of the Program's liquidity needs. The State Treasury MMTF has a rate of return higher than a money market mutual fund, and the funds are available with one business day's notice. The Program considers the \$35.0 million in State Treasury MMTF as cash and cash equivalents. The amount of cash invested in MMTF at June 30, 2025, declined \$27.2 million, or 43.7%, due to the need for additional liquidity to fund the increase in loan activity during the fiscal year.

At fiscal year-ends 2025 and 2024, the State Treasury MMTF interest rate was 4.33% and 5.37%, respectively, with an average of 4.81% for fiscal 2025 and 5.35% for fiscal 2024. These funds yield a slightly higher rate of return than the Program's other money market mutual fund rates. The average yield on cash, cash equivalents, and investments for fiscal year 2025 was 4.65%; whereas the average yields for fiscal years 2024 and 2023 were 4.98% and 3.66%, respectively.

Interest on loans has fluctuated over the past three years. Interest on loans increased \$1.2 million during the current fiscal year after declining \$0.78 million during the prior fiscal year. The Program is continuously making loans with interest rates between 0.00% and 3.0%. The average return on loans is 1.03%, 0.69%, and 1.23% for the fiscal years June 30, 2025, 2024, and 2023, respectively.

Other income includes financing fee income and the net appreciation (depreciation) of investments. Net appreciation (depreciation) of investments is the change in the market value of the portfolio. Financing fee income represents servicing fees, ranging from 0% to 1%, charged on the outstanding loan balances in the portfolio. During the current fiscal year, the Program had an increase of \$908,000 in other income, which was due to a \$1.1 million increase in financing fee income from the increase in loan activity, which was offset by \$195,000 net depreciation of investments from the prior fiscal year's net appreciation of \$104,000. In the prior fiscal year, the Program had a decline of \$524,000 in other income, which was due to a decrease in financing fee income of \$523,000.

Total operating expenses have increased significantly over the past three years. In the current year, the increase of \$11.7 million in operating expenses is primarily due to the increase in federal financial assistance from base and BIL/IIJA federal grants of \$10.4 million, representing principal forgiveness loans to borrowers. In fiscal year 2012, the Program began funding principal forgiveness loans from the Base Capitalization Grant as required by EPA. Each construction draw is forgiven at the time of the draw. The Program is required by state law to use only federal grant funds to make principal forgiveness loans. In addition to principal forgiveness loans, the Program had a \$1.2 million increase in administrative expenses primarily due to expenditures paid with federal financial assistance-BIL/IIJA federal grant funds to a contractor for engineering costs for a lead service line inventory project and other contracted expenditures to enhance the Program's mission to provide safe drinking water throughout the state. During fiscal year 2024, operating expenses increased \$5.2 million due to the increase in federal financial assistance - base federal grants of \$3.1 million, and the increase in bond interest expense of \$1.5 million due to the issuance of bonds in August 2023. For the years ended June 30, 2025, 2024, and 2023, the Program has awarded principal forgiveness loans to multiple borrowers and has forgiven \$13.8 million, \$3.4 million, and \$0.3 million, respectively. The federal financial assistance - base federal grants expense is based upon the loans available to be funded and the rate at which the borrower completes their project.

#### Management's Discussion and Analysis (cont.)

#### For the Years Ended June 30, 2025 and 2024

Base and BIL/IIJA federal grant revenue increased \$2.7 million for fiscal year 2025 and \$3.7 million for fiscal year 2024, which are comprised of draws for loans and administrative expenses. Base federal grant revenue for construction draws for principal forgiveness loans increased by \$10.4 million in this fiscal year and \$3.1 million in the prior fiscal year. No federal grant funds were disbursed for repayable loans this fiscal year or the prior two fiscal years. Federal funding for construction loans is based on the loans available for funding and the rate at which the borrower completes their project; therefore, fluctuations can occur. Arkansas Natural Resources Commission ("ANRC") and Arkansas Department of Health ("ADH") incur administration expenses and are reimbursed using base and BIL/IIJA federal grant revenue for administering the Program. The Program primarily used federal grants for funding principal forgiveness loans and paying expenses. These funds were drawn down from the federal government as the municipalities, ANRC, or ADH incurred expenses.

During the current fiscal year, transfer in (out), net increase of \$2.5 million, primarily due to the increase in state matching funds required by the EPA grants. For the fiscal years 2024 and 2023, the Program's transfers in (out), net were \$59,000 in and \$0.9 million in, respectively. As funds are available, the Program receives transfers in from the ANRC Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bond Fund Program, which represents the state matching funds for the Program. Transfers out are transfers to state agencies for Program administration expenses. The details of transfers in and out are presented in the following table:

|  | <u>2025</u>    | <u>2024</u> | <u>2023</u>   |
|--|----------------|-------------|---------------|
| (In thousands)                             |                |             |               |
| ANRC - state match                         | \$<br>6,320 \$ | 3,706       | \$ 4,815      |
| ADH  | (3,138)        | (3,127)     | (3,298)       |
| ANRC - administration                      | (670)          | (520)       | (625)         |
| Reallocation of 2023 Bonds to Construction |                |             |               |
| Assistance RLF                             | <br>2          |             |               |
|  |                |             |               |
| Transfers in, net                          | \$<br>2,514 \$ | 59          | <u>\$ 892</u> |

The net position of the Program increased \$28.4 million in the past two years. The bond resolution and the Program guidelines restrict all of the net position.

The overall financial position and results of operations of the Program have improved.

#### **Contact Regarding the Program**

This financial report is designed to provide constituents and business partners with a general overview of the Program's finances and to show the Program's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the ADFA's Chief Financial Officer by telephoning 501.682.5900 or by contacting the ANRC Water Development Section Manager at 501.682.1611.

#### **Combined Statements of Net Position**

#### June 30, 2025 and 2024

#### (In Thousands)

| <u>Assets</u>   | <u>2025</u>   |           | 2024    |
|---|---------------|-----------|---------|
| Current assets  |               |           |         |
| Cash and cash equivalents   | \$<br>72,420  | \$        | 159,509 |
| Accrued interest receivable   | A             |           |         |
| Cash  | 261           |           | 704     |
| Loans   | 111           |           | 31      |
| Accounts receivable   |               |           |         |
| Borrowers   | 157           |           | 41      |
| Environmental Protection Agency   | 463           |           | 429     |
| Total current assets  | 73,412        |           | 160,714 |
| Noncurrent assets Loans receivable - restricted   |               |           |         |
| Construction  | 292,820       |           | 206,327 |
| Total assets  | \$<br>366,232 | \$        | 367,041 |
| Liabilities and Net Position  |               |           |         |
|   |               |           |         |
| Current liabilities   |               |           |         |
| Accounts payable  | \$<br>717     | \$        | 617     |
| Accrued interest payable  | 137           |           | 144     |
| Current portion of bonds payable  | <br>1,495     |           | 3,005   |
| Total current liabilities   | 2,349         |           | 3,766   |
| Noncurrent liabilities  Bonds payable including unamortized premiums of \$1,830 and \$3,310 in fiscal 2025 and 2024, respectively, net of current |               |           |         |
| portion   | <br>19,980    |           | 34,885  |
| Total liabilities   | <br>22,329    |           | 38,651  |
| Net position Restricted by bond resolution, enabling legislation, and Program requirements  | \$<br>343,903 | <u>\$</u> | 328,390 |

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

#### **Combined Statements of Revenues, Expenses, and Changes in Net Position**

#### For the Years Ended June 30, 2025 and 2024

#### (In Thousands)

|  | <u>2025</u>   |    | <u>2024</u> |
|--|---------------|----|-------------|
| Operating revenues   |               |    |             |
| Interest on cash and cash equivalents                        | \$<br>5,678   | \$ | 8,095       |
| Interest on loans  | 2,558         |    | 1,358       |
| Financing fee income   | 2,305         |    | 1,202       |
| Net appreciation (depreciation) of cash and cash equivalents | (91)          |    | 104         |
| Total operating revenues                                     | 10,450        |    | 10,759      |
|  |               |    |             |
| Operating expenses   |               |    |             |
| Program administration                                       | 2,289         |    | 1,131       |
| Federal financial assistance                                 |               |    |             |
| Base federal grants  | 10,220        |    | 3,400       |
| BIL/IIJA federal grants                                      | 3,625         |    | -           |
| Bond interest  | 1,269         |    | 1,523       |
| Amortization of bond premiums                                | <br>(28)      |    | (405)       |
| Total operating expenses                                     | <br>17,375    |    | 5,649       |
|  |               |    |             |
| Operating income (loss)                                      | <br>(6,925)   |    | 5,110       |
|  |               |    |             |
| Nonoperating revenue   | 10.226        |    | ( (07       |
| Base federal grants  | 10,326        |    | 6,607       |
| BIL/IIJA federal grants                                      | <br>9,598     |    | 1,042       |
| Total nonoperating revenue                                   | <br>19,924    |    | 7,649       |
| Income before transfers in, net                              | 12,999        |    | 12,759      |
|  | Ź             |    | ,           |
| Transfers in, net  | <br>2,514     |    | 59          |
| Change in net position                                       | 15,513        |    | 12,818      |
| Change in het position                                       | 15,515        |    | 14,010      |
| Net position - beginning of year                             | <br>328,390   | -  | 315,572     |
| Net position - end of year                                   | \$<br>343,903 | \$ | 328,390     |
|  |               |    |             |

#### **Combined Statements of Cash Flows**

#### For the Years Ended June 30, 2025 and 2024

#### (In Thousands)

|   |    | <u>2025</u> |    | <u>2024</u> |
|---|----|-------------|----|-------------|
| Cash flows from operating activities  |    |             |    |             |
| Financing fee income received   | \$ | 2,190       | \$ | 1,264       |
| Cash paid for program administration  |    | (2,146)     | _  | (744)       |
| Net cash provided by operating activities   |    | 44          |    | 520         |
|   | ·  | 65/         |    | 9 /         |
| Cash flows from noncapital financing activities   |    |             |    |             |
| Proceeds from issuance of bonds payable   |    | 5,044       |    | 40,360      |
| Bond proceeds reallocated - 2023 bonds  |    | (20,000)    |    | -           |
| Repayments of bonds payable   |    | (1,430)     |    | (2,065)     |
| Cash paid for interest  |    | (1,277)     |    | (1,379)     |
| Cash paid for bond issuance costs   |    | (45)        |    | (360)       |
| Transfers in, net   |    | 2,516       |    | 37          |
| Nonoperating grants received  |    | 19,889      |    | 7,646       |
| Net cash provided by noncapital financing activities                                    |    | 4,697       |    | 44,239      |
| Cash flows from investing activities  |    |             |    |             |
| Interest received on cash and cash equivalents  |    | 6,121       |    | 7,847       |
| Interest received on loans  |    | 2,478       |    | 1,465       |
| Principal repayments on loans   |    | 18,657      |    | 30,232      |
| Loan disbursements  |    | (105,150)   |    | (31,219)    |
| Federal grant funds expended  |    | (13,845)    |    | (3,400)     |
| Change in market value of cash equivalents  |    | (91)        |    | 104         |
| Net cash provided (used) by investing activities  |    | (91,830)    |    | 5,029       |
| The case provided (asca) of investing and the   |    | (>1,000)    | _  | 2,025       |
| Net increase (decrease) in cash and cash equivalents                                    |    | (87,089)    |    | 49,788      |
| Cash and cash equivalents - beginning of year   |    | 159,509     |    | 109,721     |
| Cush and cash equivalents organisms of year   |    |             |    |             |
| Cash and cash equivalents - end of year   | \$ | 72,420      | \$ | 159,509     |
|   |    |             |    |             |
| Reconciliation of changes in net position to net cash provided by operating activities  |    |             |    |             |
| Operating income (loss)   | \$ | (6,925)     | \$ | 5,110       |
| Adjustments to reconcile operating income (loss) of changes in net position to net cash |    | ,           |    |             |
| provided by operating activities  |    |             |    |             |
| Interest on cash and cash equivalents   |    | (5,678)     |    | (8,095)     |
| Interest on loans   |    | (2,558)     |    | (1,358)     |
| Bond interest   |    | 1,269       |    | 1,523       |
| Amortization of bond premiums   |    | (28)        |    | (405)       |
| Bond issuance costs   |    | 45          |    | 360         |
| Net (appreciation) depreciation of cash equivalents                                     |    | 91          |    | (104)       |
| Federal grants expended   |    | 13,845      |    | 3,400       |
| Changes in operating assets and liabilities   |    | ,           |    | ,           |
| Accounts receivable - borrowers   |    | (116)       |    | 62          |
| Accounts payable  |    | 99          |    | 27          |
| New cash annual dad has accounting a stigistical  | \$ | 44          | •  | 520         |
| Net cash provided by operating activities   | Þ  | 44          | \$ | 320         |

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

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of operations and reporting entity – Act 772 of 1997, as amended, authorized the establishment of a fund known as the Safe Drinking Water Fund (the "Program"), an enterprise fund of the State of Arkansas, to be maintained and administrated by the Arkansas Natural Resources Commission ("ANRC"). The Program is to be capitalized with federal grants, state matching grants, other grants, proceeds of bonds issued by the Arkansas Development Finance Authority ("ADFA") or ANRC for the Program and loan repayments utilized to administer the program. These funds may be loaned for water system projects, pledged, and used to pay debt service and related costs, used to, and are included to, pay the Program's administrative expenses and provide technical assistance for the Program and used for other purposes related to the Program.

ADFA serves as financial manager for the Program under an interagency agreement. Effective July 1, 2025, ADFA per Act 944 of 2025 is no longer a division of the Arkansas Department of Commerce. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, servicing loans, preparing, and submitting monthly financial reports and annual combined financial statements and procuring audit services. ADFA is reimbursed for the Program's administration costs through a calculation based on loans outstanding in accordance with the interagency agreement. The amounts incurred to ADFA for administration costs were approximately \$192,000 and \$142,000 for the years ended June 30, 2025 and 2024, respectively, and are included in the Program's administration expenses.

- b. **Estimates** The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- c. **Measurement focus and basis of accounting** The Program is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Program's combined statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

d. **Recently issued accounting pronouncements** – Governmental Accounting Standards Board ("GASB") Statement No. 102, "Certain Risk Disclosures." The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement will improve financial reporting by providing users of the combined financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this statement are effective for fiscal years beginning after June 15, 2024 with earlier adoption encouraged. During the year ended June 30, 2025, the Program adopted this statement, which did not have a material impact on its combined financial statements.

GASB Statement No. 103, "Financial Reporting Model Improvements." The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. For governments engaged in business-type activities, the primary impact of this statement will be changes to the combined statement of revenues, expenditures, and changes in net position ("SRECNP"). This statement not only changes the required sections and subtotals to be included in the SRECNP but creates new definitions for subsidies and operating and nonoperating revenues and expenses. Upon adoption, the new definitions may cause reclassifications of revenues and expenses within the SRECNP. This statement also impacts other financial statement presentation requirements, including major component units, unusual or infrequent items, and management's discussion and analysis. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter with earlier adoption encouraged. The Program has not determined the impact, if any, this statement could have on its combined financial statements.

- e. Cash and cash equivalents The Program considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2025 and 2024, cash equivalents of approximately \$72.4 million and \$159.5 million, respectively, consisted of money market mutual funds with variable interest rates and an internal governmental investment pool administered by the State of Arkansas. The maturity of the funds is considered to be less than three months because they are redeemable in full immediately.
- f. **Bond premiums** Premiums on sales of bonds are capitalized and are amortized over the term of the bonds using the effective interest method. Early retirement of bonds results in the acceleration of amortization of premiums.
- g. **Financing fees** The Program receives up to a 1% annual financing fee from borrowers as part of their contractual payment.
- h. **Net position restricted by bond resolution, enabling legislation, and Program requirements** Net position restricted by bond resolution, enabling legislation, and Program requirements represent funds restricted due to the specific provisions of the Program.
- i. **Income taxes** As an essential government function of the State of Arkansas, the Program is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 2. **Deposits**

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law and bond indentures.

At June 30, 2025 and 2024, none of the Program's deposits were exposed to custodial credit risk.

Arkansas statutes authorize the Program to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings, or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; guaranteed investment contracts; and bank certificates of deposit.

- a. Interest rate risk As a means of limiting its exposure to fair value losses due to rising interest rates, the Program limits the maturity of investments to expected cash flow needs of the Program. The Program invests in an internal governmental investment pool administrated by the State of Arkansas. The Program may request withdrawal of its funds with one business days' notice.
- b. Credit risk Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025 and 2024, the Program did not have any direct investments in U.S. agencies obligations. The Program's amounts in money market mutual funds, or investments of those funds, were rated "AAAm" or "AAA" by Standard & Poor's and "Aaa-mf" or "Aaa" by Moody's Investors Service.
- c. **Concentration of credit risk** The Program places no limit on the amount that may be invested in any one issuer. The Program had no investments as of June 30, 2025 or 2024.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 2. Deposits (cont.)

Summary of Carrying Values

The carrying values of money market mutual funds and the State Treasury Money Management Trust Fund ("MMTF") are included in the combined statements of net position as follows:

|                           |    | 2025   | 2024          |
|---------------------------|----|--------|---------------|
| (In thousands)            |    |        |               |
| Carrying values           |    |        |               |
| Money market mutual funds | \$ | 37,445 | \$<br>97,342  |
| State Treasury MMTF       | _  | 34,975 | 62,167        |
| Cash and cash equivalents | \$ | 72,420 | \$<br>159,509 |

#### 3. Loans Receivable

The Program originates loans with Arkansas municipalities for financing the construction of drinking water treatment facilities. These loans are payable in monthly and semiannual installments. At June 30, 2025 and 2024, such loans had a carrying value of approximately \$292.8 million and \$206.3 million, respectively. The loans bear interest at 0.0% to 3.0% and are collateralized by special assessments, user charges or sales and use tax bonds issued by the municipalities.

In fiscal 2010, the Program funded loans with American Recovery and Reinvestment Act ("ARRA") federal funds, along with other funding sources. At June 30, 2025 and 2024, the Program's outstanding loan balance for ARRA loans totaled \$10.9 million and \$11.8 million, respectively, which is included in loans receivable - restricted - construction on the accompanying combined statements of net position.

During the years ended June 30, 2025 and 2024, approximately \$857.6 million and \$674.8 million, respectively, in cumulative loans had been approved for funding. At June 30, 2025 and 2024, approximately \$340.6 million and \$264.5 million, respectively, remained encumbered and awaiting disbursement to loan recipients.

#### **Notes to Combined Financial Statements**

#### June 30, 2025 and 2024

#### 4. Bonds Payable

Bonds payable consist of the following:

| ,580 |
|------|
|      |
| -    |
|      |
|      |
|      |
| ,580 |
| ,310 |
|      |
| ,890 |
| 43   |

Activity in bonds payable consists of the following:

|                                     |    | ginning<br>alance |          | dditions        | Da | ductions        | Da | allocation |    | Ending<br>Balance | wit | ount Due<br>hin One<br><u>Year</u> |
|-------------------------------------|----|-------------------|----------|-----------------|----|-----------------|----|------------|----|-------------------|-----|------------------------------------|
| (In thousands) June 30, 2025        | P  | <u>atanec</u>     | <u>Λ</u> | <u>aditions</u> | IC | <u>uuctions</u> | KC | anocation  | 1  | <u>Jaiance</u>    | •   | <u>1 car</u>                       |
| 2023 Serial<br>2025 Serial and Term | \$ | 34,580            | \$       | -<br>4,570      | \$ | (1,430)         | \$ | (18,075)   | \$ | 15,075<br>4,570   | \$  | 1,495                              |
| 2023 Serial and Term                |    |                   |          | 7,570           | _  | <del></del>     |    |            |    | 7,570             |     | <u> </u>                           |
|                                     | \$ | 34,580            | \$       | 4,570           | \$ | (1,430)         | \$ | (18,075)   | \$ | 19,645            | \$  | 1,495                              |
| June 30, 2024                       |    |                   |          |                 |    |                 |    |            |    |                   |     |                                    |
| 2023 Serial                         | \$ |                   | \$       | 36,645          | \$ | (2,065)         | \$ |            | \$ | 34,580            | \$  | 3,005                              |

The principal amount shown above differs from the amount on the combined statements of net position due to unamortized premiums of approximately \$1.8 million and \$3.3 million at June 30, 2025 and 2024, respectively.

#### **Notes to Combined Financial Statements**

#### June 30, 2025 and 2024

#### 4. **Bonds Payable** (cont.)

Annual debt service requirements to maturity for bonds payable are as follows:

|                             | <u>P</u> | Principal | <u>Interest</u> |       |  |  |  |
|-----------------------------|----------|-----------|-----------------|-------|--|--|--|
|                             |          | (In tho   | isands)         |       |  |  |  |
| Fiscal Year Ending June 30, |          | _ (       |                 |       |  |  |  |
| 2026                        | \$       | 1,495     | \$              | 1,037 |  |  |  |
| 2027                        |          | 1,655     |                 | 908   |  |  |  |
| 2028                        |          | 1,650     |                 | 825   |  |  |  |
| 2029                        |          | 1,560     |                 | 742   |  |  |  |
| 2030                        |          | 1,615     |                 | 664   |  |  |  |
| 2031 - 2035                 |          | 4,650     |                 | 2,458 |  |  |  |
| 2036 - 2040                 |          | 3,410     |                 | 1,363 |  |  |  |
| 2041 - 2045                 |          | 2,180     |                 | 630   |  |  |  |
| 2046 - 2050                 |          | 1,430     |                 | 222   |  |  |  |
|                             |          | 19,645    |                 | 8,849 |  |  |  |
| Unamortized premiums        |          | 1,830     |                 |       |  |  |  |
|                             | \$       | 21,475    | \$              | 8,849 |  |  |  |

During fiscal 2025 and 2024, ADFA issued approximately \$4.6 million and \$36.6 million, respectively, in Revolving Loan Fund Revenue Bond, Series 2023 for the benefit of the Program. The proceeds from the issuance of the bonds, along with other funds, will be used to fund, in whole or in part, Drinking Water State Revolving Fund ("DWSRF") loans and to pay underwriters compensation and other costs of issuance.

#### 5. Concentrations

Economic Dependency

The Program is economically dependent upon revenue from the Environmental Protection Agency ("EPA"). For the years ended 2025 and 2024, the Program received approximately 66% and 42%, respectively, of total revenue in the form of federal grants.

Program Set Asides

As shown in the supplemental information, the Program has five set aside funds. These set aside funds make up 31% of the annual capitalization grant awarded each year. These funds are used to provide for reimbursement of expenses of the Program. Through federal regulations, the EPA has allowed states to redirect, and reserve set asides as needed to ensure proper management of funds.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 5. Concentrations (cont.)

Section 1452 of the EPA Federal Guidelines for the Implementation of DWSRF indicates a state may reserve the right to redirect unused set aside funds as eligible expenditures of the Program. Only the State Program Management and Small System Technical Assistance set asides may be reclaimed in future grant years. All others set asides are not eligible to be reclaimed.

The Code of Federal Regulations section 40 CFR 3540, regarding the DWSRF, states a state may reserve or "bank" set aside funds at the time of the grant application. The intent is that the authority for a set aside activity from one year can be used in a future year when the amount available in that future year is not enough to accomplish the set aside activity. Each set aside activity has specific eligible costs associated with it. Reserved authority in a set aside activity can only be used for that same set aside activity in the future. For each grant application, the state has to demonstrate to EPA that the funds requested for each set aside activity can be used within a two-year period. If this results in the state having additional authority for that activity that they cannot use within the two-year period. they can reserve that additional authority for some unspecified future grant. The amount of authority reserved for each set aside activity will be reported in the Intended Use Plan ("IUP") for that fiscal year and every succeeding IUP until the authority is used. When the state wants to use the authority that has been reserved, the state must demonstrate to EPA that all of the authority in the future grant and the additional reserved authority can be expended within the two-year period. The management of the Program is aware if future federal capitalization grants are not made available, the reserved authority is lost. Currently, the Arkansas Department of Health has reserved authority of \$6.1 million in the Small System Technical Assistance and the State Program Management set aside with the caveat that those redirected funds may be reclaimed as set aside funds in future federal grants.

#### Principal Forgiveness Loans

In fiscal year 2012, the Program began funding principal forgiveness ("PF") loans with base federal grant funds. The EPA requires, as part of the base capitalization grant requirements, that a percentage of the grant be available as subsidy to eligible borrowers. The percentage was changed to be not less than 20%, but not greater than 30% of the federal fiscal years 2012 through 2018 grants. Starting with the 2019 grants, a minimum of 6%, but not greater than 35%, of the grant must be provided as subsidization be in the form of a loan with principal forgiveness or negative interest to disadvantaged communities. Beginning with the 2020 capitalization grants, the minimum subsidy was changed to 14%. In the federal fiscal year 2022, the Bipartisan Infrastructure Law ("BIL")/Infrastructure Investment Jobs Act created additional funding for the Program. For fiscal years 2022 and 2023, BIL General ("Gen") capitalization grant and lead service line replacement ("LSL"), a minimum of 49% additional subsidy is required for disadvantaged communities. For federal fiscal years 2022, 2023, and 2024, BIL Emerging Contaminants ("EC") capitalization grant, 100% must go to disadvantaged communities.

To be a disadvantaged community, as defined in the annual IUP:

- 1. The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis are at least 1.5% of the Median Household Income ("MHI") for the project area.
- 2. If 51% of the customers who benefit from a project are either low or moderate income, as defined by the U.S. Department of Housing and Urban Development's Community Block Grant Program; and have 1.25% of MHI.

#### **Notes to Combined Financial Statements**

#### June 30, 2025 and 2024

#### 5. Concentrations (cont.)

The chart below shows the minimum and maximum allowed for PF loans:

|               | Base           | PF            | DV PF         | DV PF    | Total    | Program       |                      | PF          |
|---------------|----------------|---------------|---------------|----------|----------|---------------|----------------------|-------------|
|               | Capitalization | Minimum       | Minimum       | Maximum  | Allowed  | Allocation    | Cumulative           | Remaining   |
| Federal       | Grant Award    | <u>Amount</u> | <u>Amount</u> | Amount   | Maximum  | <u>Amount</u> | <u>Disbursements</u> | to Disburse |
| Fiscal Year   |                |               |               | (In tho  | usands)  |               |                      | N '         |
|               |                |               |               |          |          |               |                      |             |
| 2010-Reopened | \$ 8,920       | \$ -          | \$ -          | \$ 8,920 | \$ 8,920 | \$ 8,920      | \$ 842               | \$ 8,078    |
| 2011-Reopened | 7,979          | -             | -             | 7,979    | 7,979    | 7,979         | 2,514                | 5,465       |
| 2012-Reopened | 94             | -             | -             | 94       | 94       | 94            | -                    | 94          |
| 2013-Reopened | 1,251          | -             | -             | 1,251    | 1,251    | 1,251         | -                    | 1,251       |
| 2014-Reopened | 63             | -             | -             | 63       | 63       | 63            | -                    | 63          |
| 2015-Reopened | 32             | -             | -             | 32       | 32       | 32            | -                    | 32          |
| 2020-Base     | 16,566         | 2,313         | -             | 4,804    | 7,117    | 7,117         | 7,117                | -           |
| 2021-Base     | 16,551         | 2,317         | -             | 5,793    | 8,110    | 8,110         | 2,811                | 5,299       |
| 2022-Base     | 10,543         | 1,476         | -             | 3,690    | 5,166    | 5,166         | 614                  | 4,552       |
| 2022-BIL Gen  | 27,070         | -             | -             | 13,264   | 13,264   | 13,264        | 1,594                | 11,670      |
| 2022-BIL EC   | 11,979         | -             | -             | 11,979   | 11,979   | 11,979        | 198                  | 11,781      |
| 2022-BIL LSL  | 42,653         | -             | -             | 20,890   | 20,890   | 4,687         | -                    | 4,687       |
| 2023-Base     | 5,912          | 828           |               | 2,069    | 2,897    | 2,897         | -                    | 2,897       |
| 2023-BIL Gen  | 25,209         | -             | -             | 12,353   | 12,353   | 12,353        | 144                  | 12,209      |
| 2023-BIL EC   | 10,358         | -             | -             | 10,358   | 10,358   | 10,358        | 458                  | 9,900       |
| 2024-Base     | 5,580          | 781           |               | 1,953    | 2,734    | 2,734         | -                    | 2,734       |
| 2024-BIL Gen  | 27,520         | -             |               | 13,485   | 13,485   | 13,485        | -                    | 13,485      |
| 2024-BIL EC   | 9,147          | -             |               | 9,147    | 9,147    | 5,588         | -                    | 5,588       |
| 2025-Base     | 13,058         | 1,828         | 1,567         | -        | 3,395    | -             | -                    | 3,395       |
| 2025-BIL Gen  | 29,810         | -             | -             | 14,607   | 14,607   | -             | -                    | 14,607      |
| 2025-BIL EC   | 9,147          | _             | -             | 9,147    | 9,147    | -             |                      | 9,147       |
|               |                |               | 7             |          |          |               |                      |             |
|               |                |               |               |          |          |               | \$ 16,292            | \$ 126,934  |

The EPA has financially and programmatically closed all Cap grants through the 2020 Cap Grant. However, the EPA allowed reopenings for federal fiscal years 2010 - 2015 to allocate unclaimed principal forgiveness. The Program has allocated the maximum amount for federal fiscal years 2021, 2022, 2023, and 2024 base capitalization grants are presented above. The Program has the option to spend up to the maximum amount for each base capitalization grant. In March 2023, the EPA allowed ANRC to obtain unallocated subsidy funds from closed grants. ANRC was able to reclaim \$18.4 million in unused subsidy and allocated most of that in June 2023.

The Program forgives the loans as the construction draws are disbursed. In fiscal years 2025 and 2024, the Program expensed \$13.8 million and \$3.4 million, respectively, in PF loans.

#### **Notes to Combined Financial Statements**

June 30, 2025 and 2024

#### 5. Concentrations (cont.)

Since the American Recovery and Reinvestment Act ("ARRA"), annual federal appropriations laws have required states to provide a minimum amount of additional subsidization for DWSRF projects. Prior to ARRA, a state could, and still can, establish at its discretion disadvantaged community criteria and provide additional subsidization in the form of PF or negative interest rate loans to a water system that the state designates as serving a disadvantaged community. A state may use those same criteria in determining priority for additional subsidy to a water system as required by annual federal appropriations laws.

A state may use its additional subsidy authority under the disadvantaged community program in combination (additively) with additional subsidy authority provided through annual federal appropriations law. Additional subsidization can take the form of PF (the most commonly used form), negative interest rate loans or grants (except for designated disadvantaged community programs).

#### Contingencies

The Program is partially capitalized by state funds and a federal grant program, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agency; therefore, to the extent the Program has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the management of the Program, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded on the accompanying combined financial statements for such a contingency.

#### 6. Subsequent Events

The Program evaluated the events and transactions subsequent to its June 30, 2025 combined statement of net position date and determined there were no additional significant events, other than disclosed in Note 1.a., to report through \_\_\_\_\_, 2025, which is the date the Program issued its combined financial statements.

#### **Combining Statement of Net Position**

June 30, 2025

#### (In Thousands)

| Assets Current assets   | Tec | l System<br>chnical<br>istance |    | ell Head<br>otection | Capac<br><u>Develor</u> |     |    | Program agement |    | Fees and<br>Expense |    | evolving<br>oan Fund |    | <u>Total</u> |
|---|-----|--------------------------------|----|----------------------|-------------------------|-----|----|-----------------|----|---------------------|----|----------------------|----|--------------|
| Cash and cash equivalents   | \$  | -                              | \$ | -                    | \$                      | -   | \$ | -               | \$ | 17,302              | \$ | 55,118               | \$ | 72,420       |
| Accrued interest receivable   |     |                                |    |                      |                         |     |    |                 |    | 50                  |    | 202                  |    | -            |
| Cash<br>Loans   |     | -                              |    | -                    |                         |     |    | -               |    | 59                  |    | 202<br>111           |    | 261<br>111   |
| Accounts receivable   |     |                                |    |                      |                         |     |    |                 |    |                     |    | 111                  |    | -            |
| Borrowers   |     | -                              |    | -                    |                         | -   |    | -               |    | 157                 |    | -                    |    | 157          |
| Environmental Protection Agency   |     | 25                             |    | 2                    |                         | 6   |    | 371             | _  | 59                  | _  | -                    |    | 463          |
| Total current assets  |     | 25                             |    | 2                    |                         | 6   |    | 371             |    | 17,577              |    | 55,431               |    | 73,412       |
| Noncurrent assets   |     |                                |    |                      |                         |     |    |                 |    |                     |    |                      |    |              |
| Loans receivable - restricted   |     |                                |    | )                    |                         |     |    |                 |    |                     |    |                      |    |              |
| Construction  |     | - 1                            |    | -                    |                         | -   |    | -               |    | -                   |    | 292,820              |    | 292,820      |
|   |     |                                |    |                      |                         |     |    |                 |    |                     |    |                      |    |              |
| Total assets  | \$  | 25                             | \$ | 2                    | \$                      | 6   | \$ | 371             | \$ | 17,577              | \$ | 348,251              | \$ | 366,232      |
| Liabilities and Net Position  | )   |                                |    |                      |                         |     |    |                 |    |                     |    |                      |    |              |
| Current liabilities   | \$  | 25                             | e  | 2                    | \$                      | 6   | •  | 371             | ¢. | 286                 | e  | 27                   | e. | 717          |
| Accounts payable Accrued interest payable                                       | Ф   | - 23                           | э  |                      | Ф                       | - 0 | Ф  | 3/1             | Э  | 280                 | Ф  | 137                  | Ф  | 717<br>137   |
| Current portion of bonds payable  |     | -                              |    | -                    |                         | -   |    | -               |    | -                   |    | 1,495                |    | 1,495        |
| Total current liabilities   |     | 25                             |    | 2                    |                         | 6   |    | 371             |    | 286                 |    | 1,659                |    | 2,349        |
|   |     |                                |    |                      |                         |     |    |                 |    |                     |    |                      |    |              |
| Noncurrent liabilities  |     |                                |    |                      |                         |     |    |                 |    |                     |    | 10.000               |    | 10.000       |
| Bonds payable including unamortized premiums of \$1,830, net of current portion |     |                                |    | -                    |                         | -   |    |                 |    |                     | -  | 19,980               |    | 19,980       |
| Total liabilities   |     | 25                             |    | 2                    |                         | 6   |    | 371             |    | 286                 |    | 21,639               | -  | 22,329       |
| Net position  |     |                                |    |                      |                         |     |    |                 |    |                     |    |                      |    |              |
| Restricted by bond resolution, enabling legislation, and Program requirements   | \$  |                                | \$ | -                    | \$                      |     | \$ |                 | \$ | 17,291              | \$ | 326,612              | \$ | 343,903      |

See independent auditor's report.

#### Combining Statement of Revenues, Expenses, and Changes in Net Position

#### For the Year Ended June 30, 2025

#### (In Thousands)

|   | 5                                       | Small Syster<br>Technical |                | Well Head  | Capacity    | State Program |            | Fees and |     | olving  |          | Tabl    |
|---|---|---------------------------|----------------|------------|-------------|---------------|------------|----------|-----|---------|----------|---------|
| Operating revenues                            |   | Assistance                |                | Protection | Development | Management    |            | Expense  | Loa | n Fund  |          | Total   |
| Interest on cash and cash equivalents         | \$                                      | ;                         | ¢              |            | e           | s -           | \$         | 708      | ©.  | 4,970   | <b>©</b> | 5,678   |
| Interest on loans                             | Ф                                       | -                         | Ф              | -          | <b>5</b> -  | <b>5</b> -    | Ф          | 708      | Ф   | 2,558   | Ф        | 2,558   |
| Financing fee income                          |   | _                         |                | _          |             |               |            | 2,305    |     | -       |          | 2,305   |
| Net depreciation of cash and cash equivalents |   | _                         |                | _          | _           | _             |            | (5)      |     | (86)    |          | (91)    |
| Total operating revenues                      | -                                       | _                         |                |            |             |               |            | 3,008    | -   | 7,442   |          | 10,450  |
| Total operating revenues                      | -                                       |                           |                |            |             |               | _          | 3,000    |     | 7,772   |          | 10,730  |
| Operating expenses                            |   |                           |                |            |             |               |            |          |     |         |          |         |
| Program administration                        |   |                           |                |            |             |               |            | 2,244    |     | 45      |          | 2,289   |
| Federal financial assistance                  |   |                           |                |            | ,           | _             |            | 2,244    |     | 73      |          | 2,207   |
| Base federal grants                           |   | _                         |                | -          | _           | _             |            | _        |     | 10,220  |          | 10,220  |
| BIL/IIJA federal grants                       |   | _                         |                | _          | _           | _             |            | _        |     | 3,625   |          | 3,625   |
| Bond interest                                 |   | _                         |                |            | _           | _             |            | _        |     | 1,269   |          | 1,269   |
| Amortization of bond premiums                 |   | -                         |                | _          | -           | -             |            | -        |     | (28)    |          | (28)    |
| Total operating expenses                      |   |                           |                | _          |             | _             |            | 2,244    |     | 15,131  |          | 17,375  |
|   |   |                           |                | -          | -           | -             |            |          |     | ,       | -        |         |
| Operating income (loss)                       |   |                           |                | _          | _           | _             |            | 764      |     | (7,689) |          | (6,925) |
| operating meome (1688)                        |   |                           |                |            |             |               |            | 701      |     | (7,007) |          | (0,723) |
| Nonoperating revenue                          |   |                           |                |            |             |               |            |          |     |         |          |         |
| Base federal grants                           |   | _                         |                | 103        | _           | 3             |            | _        |     | 10,220  |          | 10,326  |
| BIL/IIJA federal grants                       |   | 19                        | 4              | -          | _           | 2,838         |            | 2,941    |     | 3,625   |          | 9,598   |
| Total nonoperating revenue                    | A \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ | 19                        |                | 103        |             | 2,841         |            | 2,941    | -   | 13,845  |          | 19,924  |
| Total honoperating revenue                    | -                                       | 17                        | <del>-</del> - | 103        |             | 2,041         | _          | 2,771    |     | 13,073  |          | 17,724  |
| Income before transfers in, net               |   | 19                        | 4              | 103        |             | 2,841         |            | 3,705    |     | 6,156   |          | 12,999  |
| income before transfers in, net               |   | 19                        | 4              | 103        | -           | 2,041         |            | 3,703    |     | 0,130   |          | 12,999  |
| Transfers in (out), net                       |   | (19                       | 4)             | (103)      |             | (2,841        | )          | (802)    |     | 6,454   |          | 2,514   |
| Transfels in (out), net                       | -                                       | (1)                       | <u>.</u> , _   | (103)      | · ——        | (2,011        | <i>'</i> _ | (002)    |     | 0,151   |          | 2,511   |
| Changes in net position                       |   |                           |                |            |             | _             |            | 2,903    |     | 12,610  |          | 15,513  |
| Changes in net position                       |   | _                         |                | _          | _           | _             |            | 2,703    |     | 12,010  |          | 13,313  |
| Net position - beginning of year              |   | _                         |                | _          | _           | _             |            | 14,388   |     | 314,002 |          | 328,390 |
| 1   | =                                       |                           | _              |            |             | -             | _          | ,= 50    | -   | ,       |          |         |
| Net position - end of year                    | \$                                      | · -                       | \$             | _          | s -         | \$ -          | \$         | 17,291   | \$  | 326,612 | \$       | 343,903 |
| 1   |   |                           |                |            | <del></del> | <del></del>   |            |          | _   | ,       | _        | ,       |

See independent auditor's report.

#### **Combining Statement of Cash Flows**

#### For the Year Ended June 30, 2025

#### (In Thousands)

|  | Smal       | Small System<br>Technical |    |          | Capacity <u>Development</u> |     |               | Fees and Expense |      |           |   |
|--|------------|---------------------------|----|----------|-----------------------------|-----|---------------|------------------|------|-----------|---|
|  | Tec        |                           |    | ell Head |                             |     | State Program |                  |      | Revolving |   |
|  | Assistance |                           | Pr | otection |                             |     | Management    |                  |      | Loan Fund | d         Total           \$         2,190           (4)         (2,146)           (4)         44           (44)         5,044           (40)         (20,000)           (30)         (1,430)           (77)         (1,277)           (45)         (45)           (51         2,516           (45         19,889           488         4,697           45         18,657           50)         (105,150)           (45)         (13,845)           86)         (91)           (34)         (91,830)           (50)         (87,089)           (68)         159,509 |
| Cash flows from operating activities                 |            |                           |    |          |                             |     |               |                  |      |           |   |
| Financing fee income received                        | \$         | -                         | \$ | -        | \$ -                        | \$  | -             | ,                | 190  | •         |   |
| Cash paid for program administration                 |            | -                         |    | -        | -                           |     | -             | (2,1             | 142) | (4)       | (2,146)   |
| Net cash provided (used) by operating activities     |            |                           |    | -        |                             | _/_ | -             |                  | 48   | (4)       | 44  |
|  |            |                           |    |          |                             |     |               |                  |      |           |   |
| Cash flows from noncapital financing activities      |            |                           |    |          |                             |     |               |                  |      |           |   |
| Proceeds from issuance of bonds payable              |            | -                         |    | -        | -                           |     | -             | -                |      | 5,044     |   |
| Bond proceeds reallocated - 2023 bonds               |            | -                         |    | - '      | -                           |     | -             | -                |      | (20,000)  |   |
| Repayments of bonds payable                          |            | -                         |    |          | -                           |     | -             | -                |      | (1,430)   | ,   |
| Cash paid for interest                               |            | -                         |    |          | -                           |     | -             | -                |      | (1,277)   | ,   |
| Cash paid for bond issuance costs                    |            | -                         |    | -/       | -                           |     | - (2.505)     | -                | 2012 | ` /       | , ,   |
| Transfers in (out), net                              |            | (239)                     |    | (181)    | (12                         |     | (2,587)       | ,                | 301) | 6,451     |   |
| Nonoperating grants received                         |            | 239                       |    | 181      | 12                          |     | 2,587         | -                | 910  | 13,845    |   |
| Net cash provided by noncapital financing activities |            |                           |    | -        |                             |     |               | 2,1              | 109  | 2,588     | 4,697   |
|  |            |                           |    |          |                             |     |               |                  |      |           |   |
| Cash flows from investing activities                 |            |                           |    |          |                             |     |               |                  |      |           |   |
| Interest received on cash and cash equivalents       |            | <b>)</b> -                |    | -        | -                           |     | -             | 7                | 709  | 5,412     | 6,121   |
| Interest received on loans                           |            | -                         |    | -        | -                           |     | -             | -                |      | 2,478     | ,   |
| Principal repayments on loans                        |            | -                         |    | -        | -                           |     | -             | -                |      | 18,657    |   |
| Loan disbursements                                   |            | -                         |    | -        | -                           |     | -             | -                |      | (105,150) |   |
| Federal grant funds expended                         |            | -                         |    | -        | -                           |     | -             | -                |      | (13,845)  |   |
| Change in market value of cash and cash equivalents  |            | -                         |    | -        |                             |     |               |                  | (5)  | (86)      | (91)  |
| Net cash provided (used) by investing activities     |            | -                         |    | -        |                             |     |               |                  | 704  | (92,534)  | (91,830)  |
|  |            |                           |    |          |                             |     |               |                  |      |           |   |
| Net increase (decrease) in cash and cash equivalents |            | -                         |    | -        | -                           |     | -             | 2,8              | 361  | (89,950)  | (87,089)  |
|  |            |                           |    |          |                             |     |               |                  |      |           |   |
| Cash and cash equivalents - beginning of year        |            | -                         |    | -        |                             |     |               | 14,4             | 141  | 145,068   | 159,509   |
|  |            |                           |    |          |                             |     |               |                  |      |           |   |
| Cash and cash equivalents - end of year              | \$         | -                         | \$ |          | \$ -                        | \$  | -             | \$ 17,3          | 302  | \$ 55,118 | \$ 72,420   |

See independent auditor's report.

#### **Combining Statement of Cash Flows (cont.)**

#### For the Year Ended June 30, 2025

#### (In Thousands)

|  | Small                       | System |                 |              |      |                             |    |                           |    |         |              |            |         |
|--|-----------------------------|--------|-----------------|--------------|------|-----------------------------|----|---------------------------|----|---------|--------------|------------|---------|
|  | Technical <u>Assistance</u> |        | nical Well Head |              | Capa | Capacity <u>Development</u> |    | State Program  Management |    | es and  | nd Revolving |            |         |
|  |                             |        | Prot            | Protection 1 |      |                             |    |                           |    | Expense |              | an Fund    | Total   |
| Reconciliation of changes in net position to net cash provided (used) by operating |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| activities   |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| Operating income (loss)  | \$                          | -      | \$              | -            | \$   | -                           | \$ | -                         | \$ | 764     | \$           | (7,689) \$ | (6,925) |
| Adjustments to reconcile operating income (loss) of changes in net position to net |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| cash provided (used) by operating activities                                       |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| Interest on cash and cash equivalents  |                             | -      |                 | _            |      | -                           |    | -                         |    | (708)   |              | (4,970)    | (5,678) |
| Interest on loans  |                             | -      |                 |              |      | -                           |    | -                         |    | -       |              | (2,558)    | (2,558) |
| Bond interest  |                             | -      |                 | -            |      | -                           |    | -                         |    | -       |              | 1,269      | 1,269   |
| Amortization of bond premiums  |                             | -      |                 | -            |      | -                           |    | -                         |    | -       |              | (28)       | (28)    |
| Bond issuance costs  |                             | -      |                 | -            |      | -                           |    | -                         |    | -       |              | 45         | 45      |
| Net depreciation of cash and cash equivalents                                      |                             | -      |                 | -            |      | -                           |    | -                         |    | 5       |              | 86         | 91      |
| Federal grants expended  |                             | -      |                 | -            |      | -                           |    | -                         |    | -       |              | 13,845     | 13,845  |
| Changes in operating assets and liabilities  |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| Accounts receivable - borrowers  |                             | -      |                 | -            |      | -                           |    | -                         |    | (116)   |              | -          | (116)   |
| Accounts payable   |                             | -      |                 | -            |      | -                           |    | -                         |    | 103     |              | (4)        | 99      |
|  |                             |        |                 |              |      |                             |    |                           |    |         |              |            |         |
| Net cash provided (used) by operating activities                                   | \$                          |        | \$              | -            | \$   |                             | \$ |                           | \$ | 48      | \$           | (4) \$     | 44      |

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, 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* ("GAS") issued by the Comptroller General of the United States, the combined financial statements of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program, which comprise the combined statement of net position as of June 30, 2025, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated \_\_\_\_\_\_, 2025, which contained an "emphasis of matter" paragraph regarding a definition of the reporting entity.

#### Report on Internal Control Over Financial Reporting

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

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

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's combined 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *GAS*.

#### **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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *GAS* in considering the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

Little Rock, Arkansas

#### Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

Commissioners of the Arkansas Natural Resources Commission

Board of Directors Arkansas Development Finance Authority Little Rock, Arkansas

#### Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's major federal programs for the year ended June 30, 2025. The State of Arkansas Safe Drinking Water Revolving Loan Fund Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the State of Arkansas Safe Drinking Water Revolving Loan Fund Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 the State of Arkansas Safe Drinking Water Revolving Loan Fund Program's federal programs.

#### Auditor's 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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 GAAS, *GAS*, 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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAS, 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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 State of Arkansas Safe Drinking Water Revolving Loan Fund Program'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 State of Arkansas Safe Drinking Water
   Revolving Loan Fund Program'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 Auditor's 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.

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.

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.

Certified Public Accountants

Little Rock, Arkansas , 2025

#### **Schedule of Findings and Questioned Costs**

#### For the Year Ended June 30, 2025

#### Section I – Summary of Auditor's Results

| ·  |            |                   |
|--|------------|-------------------|
| Combined Financial Statements  |            | CX                |
| Type of auditor's report issued: Unmodified  |            |                   |
| Internal control over financial reporting:   |            |                   |
| • Material weakness(es) identified?  | Yes        | X No              |
| • Significant deficiency(ies) identified?  | Yes        | _X_ None Reported |
| Noncompliance material to combined financial statements noted?   | Yes        | X No              |
| Federal Awards   |            |                   |
| Internal control over major programs:  |            |                   |
| Material weakness(es) identified?  | Yes        | X No              |
| Significant deficiency(ies) identified?  | Yes        | _X_ None Reported |
| Type of auditor's report issued on compliance for major federal programs.                              |            | Unmodified        |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        | X No              |
| Identification of major federal programs:  |            |                   |
| Federal Assistance Listing ("FAL") Number(s) and Name of Federal Program or Cluster                    |            |                   |
| Capitalization Grants for Drinking Water State Revolving Funds   | 66.468     |                   |
| Dollar threshold used to distinguish between type A and type B programs:                               | \$ 750,000 |                   |
| Auditee qualified as a low-risk auditee?   | X Yes      | No                |

#### **Summary Schedule of Prior Audit Findings**

#### For the Year Ended June 30, 2025

No matters were reported in the June 30, 2024 Schedule of Findings and Questioned Costs.

#### **Schedule of Expenditures of Federal Awards**

#### For the Year Ended June 30, 2025

(In Thousands)

|   |               |                      | Total               |
|---|---------------|----------------------|---------------------|
| Federal Grantor/Pass-Through  | FAL           | Provided to          | Federal             |
| Grantor Program or Cluster Title  | <u>Number</u> | <b>Subrecipients</b> | <b>Expenditures</b> |
| U.S. Environmental Protection Agency/Capitalization Grants for Drinking Water State Revolving Funds |               | 45                   |                     |
| (Drinking Water State Revolving Fund Cluster)   | 66.468        | \$ 13,845            | \$ 19,924           |

#### **Notes to Schedule of Expenditures of Federal Awards**

#### For the Year Ended June 30, 2025

- 1. The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program under programs of the federal government for the year ended June 30, 2025. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program, it is not intended to and does not present the net position, changes in net position or cash flows of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program.
- 2. Expenditures reported on the SEFA are reported on the accrual basis of accounting. Disbursements are recognized following, as applicable, the cost principles in the U.S. Office of Management and Budget's Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The State of Arkansas Safe Drinking Water Revolving Loan Fund Program has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- 3. Expenditures reflected in FAL 66.468, Capitalization Grants for Drinking Water State Revolving Funds, include loans to counties, municipalities, and other tax-exempt water system entities for construction of new water systems, expansion, or repair of existing water systems and/or consolidation of new or existing water systems. The funding source for these loans includes federal grant funds, state match funds, bond funds and revolving program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The State of Arkansas Safe Drinking Water Revolving Loan Fund Program's outstanding loan receivable balance from subrecipients from all funding sources was \$292.8 million for the year ended June 30, 2025. There were no federal loan disbursements for repayable loans during fiscal year 2025. Total loans forgiven totaled \$13.8 million during fiscal year 2025. For the year ended June 30, 2025, the State of Arkansas Safe Drinking Water Revolving Loan Fund Program received \$3.8 million in federal funds for administrative costs, which were disbursed to the administration agencies.

# TAB 7

# ARKANSAS DEVELOPMENT FINANCE AUTHORITY ADFA BOARD - HOUSING REVIEW COMMITTEE

AUGUST 21, 2025
DEPARTMENT OF COMMERCE, 1 COMMERCE WAY
CENTRAL HIGH/OLD MILL MEETING ROOM

LITTLE ROCK, AR

<u>Housing Review Committee Members Present:</u> Rod Coleman, Committee Chairman; Jon Chadwell; Seth Mims; and Carey Smith.

Housing Review Committee Members Present Via Phone or Video: George O'Connor.

<u>ADFA Board Members Present:</u> Stephanie Garner; Andy Babbitt (Designee, Jim Hudson, Secretary, Department of Finance and Administration); Dr. Lee Lane; Katelyn Martin; Kirkley Thomas; and Kenneth Burleson (Designee, John Thurston, Arkansas Treasurer of State).

ADFA Board Members Present Via Phone or Video: Harold Perrin.

**ADFA Board Members Absent:** Denise Sweat.

ADFA Staff Present: Mark Conine, President, Arkansas Development Finance Authority; Robert "Ro" Arrington, Vice President, Homeownership and Public Finance; John Blackwell, Director of Tax Credits; Jake Bleed, General Counsel; Lori Brockway, Federal Housing Program Manager; Chuck Cathey, Vice President, Development Finance; Paula Farthing, Loan Servicing Manager; Sean Doolin, Assistant Controller; Tracy Green, Assistant Controller; Kimmy Helble, Executive Assistant to President and Capital Access Program Administrator; Hope Lewis, Controller; Derrick Rose, Director of Outreach and Communication; Megan Summitt, Internal Auditor; Tammy White, Compliance Manager; and Tony Williams, Director, Arkansas Student Loan Authority.

ADFA Staff Present Via Phone or Video: Jason Bays, HOME Program Coordinator; Blake Bumgardner, CDBG-DR Specialist; David Denman, Loan Operations Coordinator; Cathy Ganaway, Senior Accountant; Alisa Green, HOME-ARP Program Specialist; Lanita Hastings, HOME Program Coordinator; Amanda Hill, HOME Program Coordinator; Sam Leslie, Construction Inspector; Yedda Matthews, Senior Accountant; Monica Trammell, HOME Program; and Jenise Tucker, Accountant.

<u>Others Present:</u> Martin Kasten, Friday Law Firm; Cheryl Schluterman, Raymond James; and Jim Folwer, Rose Law Firm.

<u>Others Present VIA Phone or Video:</u> Traci Williams, Rockwell Housing Solutions; and Lornea Wells, The McVay Firm, PLLC.

<u>Call to Order:</u> Mr. Coleman, Committee Chair, called the meeting to order at approximately 11:09 AM.

<u>Minutes:</u> Mr. Coleman presented the Housing Review Committee minutes from the June 19th 2026 QAP Kick-Off Meeting, the July 17th Board Housing Review Committee Meeting, and the July 21st 2026 QAP Follow-Up Meeting. Mr. Coleman entertained a motion to accept the minutes as submitted.

Mr. O'Connor made a motion to accept the minutes.

Mr. Chadwell seconded the motion. The motion passed.

Action Item: 2026 Qualified Action Plan (QAP) - Final Draft: Mr. Blackwell presented the final draft of the 2026 QAP and provided a summary of the nine changes that were made to the document. The changes were finalized at the July 21st Board HRC QAP Follow-up Meeting.

The changes are as follows:

- Non-Profit Participation: The 5-point scoring option for having non-profit participation was removed; 10% of the LIHTC State ceiling is set aside each year for nonprofits. There is no cause to incentivize the developers with points. If a nonprofit application is not received, that 10% is rolled into the next year on this allocated plan.
- Extended Affordability: The 6-point option for extending the affordability to 35 years for acquisition and rehabilitation developments was removed; this will still apply to new construction applicants. A 6-point scoring option was created if the developer was rehabbing an existing operating affordable development.
- Development County: There was a 10-point category for developing in counties that have not received LIHTC for ten or more years; this has been lowered to 3 points.
- Income Targeting: The 7-point option for 10% of the units and 40% AMI has been changed to 7 points for 10% and 50% AMI, or 10 points for 20% of the units at 50% AMI.
- Application Timeline: The timeline has been moved up and shortened. The 9% competitive application cycle will now start in February and will be approved by the Board in May. Environmental Reviews now have a goal to be completed by August of next year.
- Site Control: The Federal Flood Risk Management Standard (FFRMS) requirement has been replaced with FEMA 100-year Floodplain requirement. ADFA will still not allow to build on a 100-year floodplain but will allow Acquisition Rehabs of an existing affordable housing development that is located in a federally designated 100-year floodplain to apply for Acquisition Rehab if the development has not flooded since construction and will maintain flood insurance for the duration of the affordability period.

- Capital Needs Assessment (CNA): There will be a pre-approval process where CNAs will be required to be delivered to ADFA 60 days before the developer applies. A minimum of 60 days will allow ADFA to visit the property and assess whether ADFA agrees with what the CNA has identified, and if there are any other items that need to be fixed, ADFA will correspond with the provider.
- Credit Swap Exchange: In December of 2024 a policy was approved that in exchange for ADFA granting a credit swap, that developer would have to sit out the rest of the year and the following year from applying for any ADFA resources.
- State LIHTC: ADFA has 250,000 annual Arkansas State LIHTC that can be allocated. This has not been allocated due to a timing period discrepancy with DF&A; this has been resolved. ADFA has added the ability for developers to apply for the Arkansas State LIHTC, the only way you can apply for the State LIHTC is that you have to apply for Federal LIHTC as well.

Mr. Blackwell sought the adoption of the 2026 QAP Final Draft and opened the floor to the Board members for questions or discussion.

After a brief discussion, Mr. O'Connor made a motion to adopt the 2026 QAP Final Draft.

Mr. Mims seconded the motion. The motion passed.

<u>Updates: Federal Housing Programs:</u> Ms. Brockway updated the Board that eight (8) projects had been completed and either leased up or in process of leasing. The reason they are showing 90% complete is due to the fact that they are waiting on the final costs or some other project closeout items.

Ms. Brockway provided an update on NHTF and stated that Cobblestone was complete, but there were still a few final close-out items. Patriot Park was still in process. Ms. Brockway continued that \$728,546.08 was committed with the 2025 funds which would be helpful with our commitment and deadlines that ADFA has contended with.

Ms. Brockway progressed to the ESG and CDBG-DR report and stated that ESG had received thirty-one (31) applications and the application round closed the week prior. The request for the thirty-one applications was for \$5,480,294. The 2025 allocation is \$2,271,567; therefore not all of the applications will be able to be funded. With the remaining 2024 funds of \$256,472.11 there will be a shortfall of approximately \$3.2M.

Ms. Brockway stated that CDBG-DR received a new hire, Blake Bumgardner, and he will be working on the CDBG-DR multifamily, single family, the 2020 funding and the 2025 funding. The Action Plan for 2025 is ready to be submitted, then once the Public Comment is completed, the Action Plan will go to HUD which will have approximately 45 days to approve. In the meantime, we will continue to work on our policies and procedures for the CDBG-DR program.

Ms. Brockway concluded the updates with a brief discussion with Board members regarding the CDBG-DR Program.

<u>Adjournment:</u> Mr. Coleman concluded the Housing Review Committee's activities at approximately 11:28 AM.

Minutes approved and signed on this 21st day of August 2025.

Rod Coleman, Housing Review Committee Chair

# TAB 8

# BOARD HOUSING REVIEW COMMITTEE ACTION MEMORANDUM

Board HRC Meeting: 10/16/2025 Prepared by: John Blackwell

HOUSING PARTNER

Name of Entity: Strategic Realty/Washco Housing Partners LP

Address of Entity: 812 Main Street

Van Buren, AR 72956

Contact Person: Jim Petty/Brent Lacefield

**Phone** 

**Email Address:** 

**DEVELOPMENT INFORMATION** 

Name of Development: Patriot Park
Fayetteville, AR

rayetteville, Ait

#### ACTION REQUESTED

Extend the deadline to place the units in service from 12-31-25 to 12-31-26.

#### BACKGROUND INFORMATION

Patriot Park was granted a credit swap by the ADFA board on April 18, 2024 for the 2020 LIHTC allocation (801,000), the 2021 LIHTC allocation (193,000) and the 2022 LIHTC allocation (148,300). The credit swap agreement placed a December 31, 2025 deadline to complete the project and place the units in service. While the project is moving forward it is obvious that it will not be completed by the December 2025 deadline due to heavy rainfall, and Staff would like to amend the credit swap agreement for the project to be placed in service. Strategic Realty is estimating the project to be completed April 29, 2026. The new deadline on the Credit Swap Agreement will be December 31, 2026, the full 2 years allowed by the IRS.

#### FINAL RECOMMENDATION OF BOARD HOUSING REVIEW COMMITTEE

#### U.S. Department of Commerce

National Oceanic & Atmospheric Administration

National Environmental Satellite, Data, and Information Service

Current Location: Elev: 1237 ft. Lat: 36.0103° N Lon: 94.1682° W Station: FAYETTEVILLE DRAKE FIELD, AR US USW00093993

Record of Climatological Observations

These data are quality controlled and may not be identical to the original observations.

Generated on 09/25/2025

National Centers for Environmental Information 151 Patton Avenue Asheville, North Carolina 28801

Observation Time Temperature: Unknown Observation Time Precipitation: 2400

|             |                  |             | Temperature (F) Precipitation           |                                     |                         |                            |                    |             |       |                 | Evapo | ration |             | "Soil Temperature (F)"  4 in. Depth  Bround Cover (see *)  Max. Min. Ground |  |             |  |          |  |  |  |  |  |
|-------------|------------------|-------------|---|-------------------------------------|-------------------------|----------------------------|--------------------|-------------|-------|-----------------|-------|--------|-------------|---|--|-------------|--|----------|--|--|--|--|--|
| Y           | М                |             | "24 Hrs. Ending at<br>Observation Time" |                                     |                         | 24 Hou<br>O                | ır Amou<br>bservat | unts Ending | at    | At Obs.<br>Time |       |        | 4 in. Depth |   |  | 8 in. Depth |  |          |  |  |  |  |  |
| e<br>a<br>r | o<br>n<br>t<br>h | D<br>a<br>y | At Rain, F Snow, Ice F Pellets, Wir     | 24 Hour<br>Wind<br>Movement<br>(mi) | Amount of<br>Evap. (in) | Ground<br>Cover<br>(see *) | Max.               | Min.        | Cover | Max.            | Min.  |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 01          | 77                                      | 57                                  |                         | Т                          |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 02          | 72                                      | 53                                  |                         | 0.79                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 03          | 68                                      | 46                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 04          | 69                                      | 40                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 05          | 75                                      | 42                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 06          | 69                                      | 47                                  |                         | 0.25                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 07          | 68                                      | 55                                  |                         | 0.14                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 08          | 70                                      | 51                                  |                         | Т                          |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 09          | 78                                      | 50                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 10          | 73                                      | 48                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 11          | 75                                      | 47                                  |                         | Т                          |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 12          | 82                                      | 51                                  |                         | Т                          |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 13          | 85                                      | 54                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 14          | 89                                      | 63                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 15          | 84                                      | 62                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 16          | 86                                      | 57                                  |                         | 0.02                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 17          | 86                                      | 52                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 18          | 78                                      | 62                                  |                         | 1.75                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 19          | 80                                      | 63                                  |                         | 1.29                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 20          | 74                                      | 54                                  |                         | 0.06                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 21          | 84                                      | 51                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 22          | 82                                      | 58                                  |                         | 0.06                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 23          | 79                                      | 56                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 24          | 82                                      | 63                                  |                         | 0.41                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 25          | 75                                      | 65                                  |                         | 2.60                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
| 2025        | 05               | 26          | 66                                      | 60                                  |                         | 0.83                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
| 2025        | 05               | 27          | 67                                      | 60                                  |                         | 0.11                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
| 2025        | 05               | 28          | 75                                      | 59                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
| 2025        | 05               | 29          | 76                                      | 58                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  |          |  |  |  |  |  |
| 2025        | 05               | 30          | 78                                      | 53                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
| 2025        | 05               | 31          | 82                                      | 50                                  |                         | 0.00                       |                    | 0.0         |       | 0.0             |       |        |             |   |  |             |  | <u> </u> |  |  |  |  |  |
|             |                  | Summary     | 77                                      | 54                                  |                         | 8.31                       |                    | 0.0         |       |                 |       |        |             |   |  |             |  |          |  |  |  |  |  |

Empty, or blank, cells indicate that a data observation was not reported.

Data value inconsistency may be present due to rounding calculations during the conversion process from SI metric units to standard imperial units.

<sup>\*</sup>Ground Cover: 1=Grass; 2=Fallow; 3=Bare Ground; 4=Brome grass; 5=Sod; 6=Straw mulch; 7=Grass muck; 8=Bare muck; 0=Unknown

<sup>&</sup>quot;s" This data value failed one of NCEI's quality control tests.

"At Obs." = Temperature at time of observation

<sup>&</sup>quot;T" values in the Precipitation or Snow category above indicate a "trace" value was recorded.

<sup>&</sup>quot;A" values in the Precipitation Flag or the Snow Flag column indicate a multiday total, accumulated since last measurement, is being used.

#### U.S. Department of Commerce

National Oceanic & Atmospheric Administration

National Environmental Satellite, Data, and Information Service Current Location: Elev: 1237 ft. Lat: 36.0103° N Lon: 94.1682° W Record of Climatological Observations

National Centers for Environmental Information 151 Patton Avenue Asheville, North Carolina 28801

These data are quality controlled and may not be identical to the original observations.

|             |                  |             | Ter                     | nperature (F          | =)         |                                       |                    | Precipitation                      |                  |  | Evapo                               | ration                  |                            |             | "Soil Tem | perature (F)"              |             |      |
|-------------|------------------|-------------|-------------------------|-----------------------|------------|---------------------------------------|--------------------|------------------------------------|------------------|--|-------------------------------------|-------------------------|----------------------------|-------------|-----------|----------------------------|-------------|------|
| Y           | м                |             | "24 Hrs. E<br>Observati | Inding at<br>on Time" |            | 24 Ho                                 | ur Amoi<br>Observa | unts Ending a                      | at               | At Obs.<br>Time  |                                     |                         |                            | 4 in. Depth |           |                            | 8 in. Depth |      |
| e<br>a<br>r | o<br>n<br>t<br>h | D<br>a<br>y | Max.                    | Min.                  | At<br>Obs. | Rain,<br>Melted<br>Snow, Etc.<br>(in) | F<br>I<br>a<br>g   | Snow, Ice<br>Pellets,<br>Hail (in) | F<br>I<br>a<br>g | Snow, Ice<br>Pellets,<br>Hail, Ice<br>on<br>Ground<br>(in) | 24 Hour<br>Wind<br>Movement<br>(mi) | Amount of<br>Evap. (in) | Ground<br>Cover<br>(see *) | Max.        | Min.      | Ground<br>Cover<br>(see *) | Max.        | Min. |
| 2025        | 06               | 01          | 85                      | 61                    |            | 0.15                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 02          | 86                      | 60                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 03          | 86                      | 69                    |            | 0.57                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 04          | 79                      | 69                    |            | 0.06                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 05          | 85                      | 69                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 06          | 83                      | 67                    |            | 0.91                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 07          | 82                      | 66                    |            | 1.87                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 08          | 91                      | 62                    |            | 0.02                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 09          | 85                      | 60                    |            | Т                                     |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 10          | 89                      | 56                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 11          | 86                      | 65                    |            | Т                                     |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 12          | 77                      | 66                    |            | 0.40                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 13          | 82                      | 68                    |            | 0.79                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 14          | 80                      | 67                    |            | 0.32                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 15          | 83                      | 67                    |            | 0.65                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 16          | 87                      | 69                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 17          | 85                      | 65                    |            | 0.88                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 18          | 84                      | 66                    |            | 0.52                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 19          | 92                      | 66                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 20          | 92                      | 69                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 21          | 91                      | 77                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 22          | 91                      | 76                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 23          | 91                      | 73                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 24          | 92                      | 71                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 25          | 91                      | 70                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 26          | 89                      | 69                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 27          | 90                      | 72                    |            | Т                                     |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 28          | 88                      | 73                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 29          | 92                      | 69                    |            | 0.12                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 06               | 30          | 87                      | 69                    |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
|             |                  | Summary     | 87                      | 68                    |            | 7.26                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |           | <b></b>                    |             |      |

Empty, or blank, cells indicate that a data observation was not reported.

<sup>\*</sup>Ground Cover: 1=Grass; 2=Fallow; 3=Bare Ground; 4=Brome grass; 5=Sod; 6=Straw mulch; 7=Grass muck; 8=Bare muck; 0=Unknown

<sup>&</sup>quot;s" This data value failed one of NCEI's quality control tests. "At Obs." = Temperature at time of observation

<sup>&</sup>quot;T" values in the Precipitation or Snow category above indicate a "trace" value was recorded.

<sup>&</sup>quot;A" values in the Precipitation Flag or the Snow Flag column indicate a multiday total, accumulated since last measurement, is being used.

National Oceanic & Atmospheric Administration

National Environmental Satellite, Data, and Information Service Current Location: Elev: 1237 ft. Lat: 36.0103° N Lon: 94.1682° W Record of Climatological Observations

National Centers for Environmental Information 151 Patton Avenue Asheville, North Carolina 28801

These data are quality controlled and may not be identical to the original observations.

|             |                  |             | Tei                     | mperature (F | =)         |                                       |                  | Precipitation                      |                  |  | Evapo                               | ration                  |                            |             | "Soil Tem | perature (F)"              |             |      |
|-------------|------------------|-------------|-------------------------|--------------|------------|---------------------------------------|------------------|------------------------------------|------------------|--|-------------------------------------|-------------------------|----------------------------|-------------|-----------|----------------------------|-------------|------|
| Y           | М                | _           | "24 Hrs. I<br>Observati |              | ,          | 24 Ho                                 |                  | unts Ending :<br>tion Time         |                  | At Obs.<br>Time  | ·                                   |                         |                            | 4 in. Depth |           |                            | 8 in. Depth |      |
| e<br>a<br>r | o<br>n<br>t<br>h | D<br>a<br>y | Max.                    | Min.         | At<br>Obs. | Rain,<br>Melted<br>Snow, Etc.<br>(in) | F<br>I<br>a<br>g | Snow, Ice<br>Pellets,<br>Hail (in) | F<br>I<br>a<br>g | Snow, Ice<br>Pellets,<br>Hail, Ice<br>on<br>Ground<br>(in) | 24 Hour<br>Wind<br>Movement<br>(mi) | Amount of<br>Evap. (in) | Ground<br>Cover<br>(see *) | Max.        | Min.      | Ground<br>Cover<br>(see *) | Max.        | Min. |
| 2025        | 07               | 01          | 88                      | 66           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 02          | 88                      | 63           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 03          | 91                      | 64           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 04          | 90                      | 67           |            | 0.01                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 05          | 90                      | 68           |            | Т                                     |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 06          | 91                      | 74           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 07          | 92                      | 71           |            | 0.18                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 08          | 82                      | 70           |            | 1.85                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 09          | 92                      | 68           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 10          | 91                      | 68           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 11          | 91                      | 73           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 12          | 87                      | 70           |            | 0.81                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 13          | 84                      | 70           |            | 0.01                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 14          | 85                      | 70           |            | 0.07                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 15          | 88                      | 71           |            | 0.15                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 16          | 91                      | 74           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 17          | 89                      | 72           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 18          | 93                      | 72           |            | 0.03                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 19          | 94                      | 69           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 20          | 94                      | 73           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 21          | 93                      | 73           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 22          | 94                      | 72           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 23          | 93                      | 69           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 24          | 95                      | 67           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 25          | 95                      | 69           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 26          | 93                      | 73           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 27          | 93                      | 75           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 28          | 95                      | 74           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 29          | 99                      | 72           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 30          | 99                      | 74           |            | 0.00                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
| 2025        | 07               | 31          | 87                      | 74           |            | 0.05                                  |                  | 0.0                                |                  | 0.0  |                                     |                         |                            |             |           |                            |             |      |
|             |                  | Summary     | 91                      | 70           |            | 3.16                                  |                  | 0.0                                |                  |  |                                     |                         |                            |             |           |                            |             |      |

Empty, or blank, cells indicate that a data observation was not reported.

<sup>\*</sup>Ground Cover: 1=Grass; 2=Fallow; 3=Bare Ground; 4=Brome grass; 5=Sod; 6=Straw mulch; 7=Grass muck; 8=Bare muck; 0=Unknown

<sup>&</sup>quot;s" This data value failed one of NCEI's quality control tests. "At Obs." = Temperature at time of observation

<sup>&</sup>quot;T" values in the Precipitation or Snow category above indicate a "trace" value was recorded.

<sup>&</sup>quot;A" values in the Precipitation Flag or the Snow Flag column indicate a multiday total, accumulated since last measurement, is being used.

#### U.S. Department of Commerce

National Oceanic & Atmospheric Administration

National Environmental Satellite, Data, and Information Service

Current Location: Elev: 1237 ft. Lat: 36.0103° N Lon: 94.1682° W Station: FAYETTEVILLE DRAKE FIELD, AR US USW00093993

Record of Climatological Observations

These data are quality controlled and may not be identical to the original observations.

Generated on 09/25/2025

National Centers for Environmental Information 151 Patton Avenue Asheville, North Carolina 28801

Observation Time Temperature: Unknown Observation Time Precipitation: 2400

|             |                  |             | Tei                     | mperature (F           | ÷)         |                                       |                   | Precipitation                      | 1                |  | Evapo                               | ration                  |                            |             | "Soil Temp | perature (F)"              |             |      |
|-------------|------------------|-------------|-------------------------|------------------------|------------|---------------------------------------|-------------------|------------------------------------|------------------|--|-------------------------------------|-------------------------|----------------------------|-------------|------------|----------------------------|-------------|------|
| Y           | М                | _           | "24 Hrs. I<br>Observati | Ending at<br>ion Time" |            | 24 Hou<br>O                           | ır Amoı<br>bserva | unts Ending                        | at               | At Obs.<br>Time  |                                     |                         |                            | 4 in. Depth |            |                            | 8 in. Depth |      |
| e<br>a<br>r | o<br>n<br>t<br>h | D<br>a<br>y | Max.                    | Min.                   | At<br>Obs. | Rain,<br>Melted<br>Snow, Etc.<br>(in) | F<br>I<br>a<br>g  | Snow, Ice<br>Pellets,<br>Hail (in) | F<br>I<br>a<br>g | Snow, Ice<br>Pellets,<br>Hail, Ice<br>on<br>Ground<br>(in) | 24 Hour<br>Wind<br>Movement<br>(mi) | Amount of<br>Evap. (in) | Ground<br>Cover<br>(see *) | Max.        | Min.       | Ground<br>Cover<br>(see *) | Max.        | Min. |
| 2025        | 08               | 01          | 77                      | 68                     |            | 0.83                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 02          | 85                      | 64                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 03          | 85                      | 62                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 04          | 88                      | 63                     |            | Т                                     |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 05          | 92                      | 63                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 06          | 93                      | 66                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 07          | 94                      | 65                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 08          | 95                      | 68                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 09          | 96                      | 70                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 10          | 95                      | 74                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 11          | 95                      | 70                     |            | 0.05                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 12          | 91                      | 68                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 13          | 94                      | 69                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 14          | 96                      | 68                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 15          | 98                      | 70                     |            | Т                                     |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 16          | 98                      | 71                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 17          | 99                      | 72                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 18          | 100                     | 72                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 19          | 100                     | 73                     |            | 0.83                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 20          | 93                      | 69                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 21          | 91                      | 66                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 22          | 92                      | 65                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 23          | 91                      | 64                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 24          | 89                      | 63                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 25          | 72                      | 65                     |            | 0.12                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 26          | 81                      | 60                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 27          | 82                      | 57                     |            | 0.26                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 28          | 76                      | 62                     |            | 4.26                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 29          | 83                      | 62                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 30          | 85                      | 62                     |            | 0.00                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
| 2025        | 08               | 31          | 79                      | 67                     |            | 0.56                                  |                   | 0.0                                |                  | 0.0  |                                     |                         |                            |             |            |                            |             |      |
|             |                  | Summary     | 90                      | 66                     |            | 6.91                                  |                   | 0.0                                |                  |  |                                     |                         |                            |             |            |                            |             |      |

Empty, or blank, cells indicate that a data observation was not reported.

<sup>\*</sup>Ground Cover: 1=Grass; 2=Fallow; 3=Bare Ground; 4=Brome grass; 5=Sod; 6=Straw mulch; 7=Grass muck; 8=Bare muck; 0=Unknown

<sup>&</sup>quot;s" This data value failed one of NCEI's quality control tests.

"At Obs." = Temperature at time of observation

<sup>&</sup>quot;T" values in the Precipitation or Snow category above indicate a "trace" value was recorded.

<sup>&</sup>quot;A" values in the Precipitation Flag or the Snow Flag column indicate a multiday total, accumulated since last measurement, is being used.

#### U.S. Department of Commerce

National Oceanic & Atmospheric Administration

National Environmental Satellite, Data, and Information Service

Current Location: Elev: 1237 ft. Lat: 36.0103° N Lon: 94.1682° W Station: FAYETTEVILLE DRAKE FIELD, AR US USW00093993

### Record of Climatological Observations

These data are quality controlled and may not be identical to the original observations.

Generated on 09/25/2025

Observation Time Temperature: Unknown Observation Time Precipitation: 2400

National Centers for Environmental Information

151 Patton Avenue

Asheville, North Carolina 28801

|             |                  |             |                         | mperature (F        |            |                                       |                    | Precipitation                      | 1                |  | Evapo                               |                         |                            |             |      | n Observation<br>perature (F)" |             |      |
|-------------|------------------|-------------|-------------------------|---------------------|------------|---------------------------------------|--------------------|------------------------------------|------------------|--|-------------------------------------|-------------------------|----------------------------|-------------|------|--------------------------------|-------------|------|
| _           | М                | _           | "24 Hrs. E<br>Observati | Ending at ion Time" |            | 24 Ho                                 | ur Amoi<br>Observa | unts Ending<br>tion Time           | at               | At Obs.<br>Time  |                                     |                         |                            | 4 in. Depth |      |                                | 8 in. Depth |      |
| e<br>a<br>r | o<br>n<br>t<br>h | D<br>a<br>y | Max.                    | Min.                | At<br>Obs. | Rain,<br>Melted<br>Snow, Etc.<br>(in) | F<br>I<br>a<br>g   | Snow, Ice<br>Pellets,<br>Hail (in) | F<br>I<br>a<br>g | Snow, Ice<br>Pellets,<br>Hail, Ice<br>on<br>Ground<br>(in) | 24 Hour<br>Wind<br>Movement<br>(mi) | Amount of<br>Evap. (in) | Ground<br>Cover<br>(see *) | Max.        | Min. | Ground<br>Cover<br>(see *)     | Max.        | Min. |
| 2025        | 09               | 01          | 76                      | 62                  |            | 0.34                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 02          | 83                      | 62                  |            | Т                                     |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 03          | 86                      | 63                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 04          | 87                      | 62                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 05          | 75                      | 61                  |            | 0.04                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 06          | 78                      | 54                  |            | Т                                     |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 07          | 81                      | 49                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 08          | 80                      | 49                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 09          | 82                      | 51                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 10          | 89                      | 56                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 11          | 91                      | 63                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 12          | 92                      | 60                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 13          | 92                      | 64                  |            | 0.00                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 14          | 91                      | 61                  |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 15          | 91                      | 63                  |            | 0.00                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 16          | 93                      | 65                  |            | Т                                     |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 17          | 93                      | 61                  |            | 0.03                                  |                    | 0.0                                |                  | 0.0  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 18          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 19          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 20          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 21          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 22          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 23          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 24          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 25          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 26          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 27          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 28          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 29          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
| 2025        | 09               | 30          |                         |                     |            |                                       |                    |                                    |                  |  |                                     |                         |                            |             |      |                                |             |      |
|             |                  | Summary     | 86                      | 59                  |            | 0.41                                  |                    | 0.0                                |                  |  |                                     |                         |                            |             |      |                                |             |      |

Empty, or blank, cells indicate that a data observation was not reported.

<sup>\*</sup>Ground Cover: 1=Grass; 2=Fallow; 3=Bare Ground; 4=Brome grass; 5=Sod; 6=Straw mulch; 7=Grass muck; 8=Bare muck; 0=Unknown

<sup>&</sup>quot;s" This data value failed one of NCEI's quality control tests. "At Obs." = Temperature at time of observation

<sup>&</sup>quot;T" values in the Precipitation or Snow category above indicate a "trace" value was recorded.

<sup>&</sup>quot;A" values in the Precipitation Flag or the Snow Flag column indicate a multiday total, accumulated since last measurement, is being used.

### STAFF HOUSING REVIEW COMMITTEE ACTION MEMORANDUM

Staff HRC Meeting: October 16, 2025 Prepared By: Lori Brockway

| lou: |
|------|
| OU:  |
| U:   |
| I    |
| S    |
| I١   |
| ١G   |
| P    |
| Α    |
| R    |
| П    |
| V    |
| E    |
| R    |

Name of Entity: Arkansas Development Finance Authority ("ADFA")

Address of Entity: 1 Commerce Way, Suite 602

Little Rock, AR 72202

Contact Person: Lori Brockway, Federal Housing Programs Manager

Phone (501) 682-3339

Email Address: <a href="mailto:lori.brockway@arkansas.gov">lori.brockway@arkansas.gov</a>

### **DEVELOPMENT INFORMATION**

Name of Development: N

N/A

### ACTION REQUESTED & BACKGROUND INFORMATION

ADFA is seeking to increase the Tenant Based Rental Assistance ("TBRA") Project Delivery Fees for TBRA Program Providers. The purpose of the increase will be to pay for income verifications and inspections associated with operating a HOME TBRA program.

### **Background Information:**

 ADFA's current Administrative Fee Rate is 10% of the total request. This was approved by the ADFA board, in January of 2021. Previously, ADFA allowed \$120 per household for initial lease up and annual recertification and \$20 per month, per household, for ongoing administration.

**Amount Requested**: ADFA respectively requests the following:

<u>Project Delivery</u>- Applicants may request \$300 per household for initial and annual inspections and \$150 for initial income verifications and annual recertifications. The funds are used for intake applications, recertifications, and HQS/ NSPIRE inspections.

**Source of Funds:** HOME Tenant Based Rental Assistance ("TBRA")

### FINAL RECOMMENDATION OF STAFF HOUSING REVIEW COMMITTEE

**Recommended for Approval** 

### STAFF HOUSING REVIEW COMMITTEE ACTION MEMORANDUM

Staff HRC Meeting: October 2, 2025 Prepared By: Jason Bays
Presented By: Lori Brockway

HOUSING PARTNER

Name of Entity: Black River Area Development (BRAD)

Address of Entity: 1403 Hospital Dr

Pocahontas, AR 72455

Contact Person: Erin Carroll, Program Director

Phone (870)202-1363

Email Address: Erin.carroll@bradcorp.org

**DEVELOPMENT INFORMATION** 

Name of Development: Tenant Based Rental Assistance ("TBRA")

#### REQUEST & BACKGROUND INFORMATION

Amount Requested: \$248,028 - Total Budget

\$225,480 - Housing Assistance Payments

\$ 22,548 - Administrative Fees

Should TBRA Project Delivery be approved the applicant will receive an additional \$450 for every new lease up and annual recertification.

Source of Funds: HOME Tenant Based Rental Assistance

**Developer in Compliance**: Yes

**Purpose:** Black River Area Development (BRAD) is requesting a total of \$248,028.00 in TBRA funds to assist income-qualifying families while on the Randolph County Section 8 waiting list.

- BRAD will assist 40 households with TBRA funds
- The funds requested will be utilized to clear their 97-applicant waiting list.
- BRAD last utilized TBRA up to 2023 from a 2020 agreement.

### **Background Information:**

- BRAD is a repeat applicant (2017 and 2020)
- BRAD is a high performing Housing Agency that assists low-income residents across Clay, Lawrence, and Randolph Counties.

### FINAL RECOMMENDATION OF STAFF HOUSING REVIEW COMMITTEE

Recommended for Approval- Amount requested subject to change pending approval of new TBRA Project Delivery Fees.



#### **MEMORANDUM**

**TO:** Tax Credit Recipients and Tax Credit Applicants

**DATE:** October 16, 2025

**FROM:** Lori Brockway - Federal Housing Programs Manager

John Blackwell - Director of Tax Credits

**RE:** HOME- Notice of HOME funding availability for 2026 LIHTC applications

- 1. The Arkansas Development Finance Authority (ADFA) hereby notifies interested Applicants of the availability of funds allocated from the HOME Investment Partnerships Program (HOME). The availability and use of these funds is subject to Federal HOME regulations (24 CFR Parts 91 and 92) and any amendments thereto, including the final regulations published by the Department of Housing and Urban Development (HUD) in the Federal Register on or about July 24, 2013, and is further subject to ADFA's policies and program requirements.
- 2. ADFA anticipates that approximately three million dollars (\$3,000,000) in HOME funds will be available per application, for the 2026 LIHTC applications. ADFA reserves the right to fund, in whole or in part, any, all, or none of the applications submitted in response to this notice. ADFA may also reallocate funds from this MEMO to other projects if it determines that such a substitution is necessary to further its administration of the program.
- 3. ADFA will not award more than \$3,000,000 in HOME funds, per application submitted. ADFA's award of the HOME funds will be subject to subsidy layering guidelines and underwriting criteria to ensure the project's success. Eligible Applicants may submit only one application per property. The loan terms for the HOME dollars are as follows:
  - a. Applicants requesting \$100,000 to \$2,000,000 will sign a note that will bear interest at one percent (1%), with level amortization and monthly payments over (at the borrower's election) (a) 20 years, or (b) the development's LIHTC affordability period (30 or 35 years), in either case with the first payment deferred for one (1) year after the first placed-in-service date.



- b. Applicants requesting \$2,000,000 to \$3,000,000 will sign a note that will bear interest at two percent (2%), with level amortization and monthly payments over (at the borrower's election) (a) 20 years, or (b) the development's LIHTC affordability period (30 or 35 years), in either case with the first payment deferred for one (1) year after the first placed-in-service date.
- c. DCR cannot exceed 1.40 or loan term will need to be adjusted.
- d. Any HOME Loan that exceeds \$2,000,000, requires that ADFA be in a first position.
- 4. HOME funds awarded in connection with an allocation of LIHTC will be in the form of a loan, as described in ADFA's HOME Program Operations Manual and HOME/NHTF Rental guidebook. The loan will be evidenced by a promissory note and secured by a mortgage on the development. The mortgage may be subordinated to a mortgage on the development securing other debt. A number of units in the development equal to the amount of HOME funds awarded with respect to the development divided by the per unit subsidy limits identified in the HOME-Rental guidebook, and rounded up, will be subject to HOME affordability restrictions for a period determined in accordance with the information in the table appearing in the ADFA HOME Program Operations Manual under the heading "LONG-TERM AFFORDABILITY - Affordability Period." Consistent with past practice, a successful LIHTC applicant's acceptance of HOME funds will not require the applicant to place that program's affordability restrictions on units that are not to be under LIHTC restrictions. Rather, that program's affordability restrictions may be placed on units that will be subject to LIHTC affordability restrictions as well. An applicant who receives both HOME and NHTF money may not, however, use the same unit to satisfy both low HOME and NHTF affordability requirements. Further, as provided in the QAP, applicants who are awarded points for designating at least five percent of a developments' units to serve households whose incomes are 30% or less of the area median income may not use the same units to satisfy low HOME affordability requirements.

### HOME Activities Report

### STATUS OF HOME ACTIVITIES - IDIS

|                  |                  | F   | JNDING S           | TATUS - PF        | ROJECTS    |             |                     |                 |                 |
|------------------|------------------|---|--------------------|-------------------|------------|-------------|---------------------|-----------------|-----------------|
| IDIS<br>Activity | Activity<br>Type | Activity Name                             | Activity<br>Status | Last Draw<br>Date | Home Units | Total Units | Committed<br>Amount | Drawn Amount    | % HOME Expended |
| 14659            | NC               | Meadowbrook at Cabot, LP                  | Open               | 09/22/2025        | 11         | 64          | \$1,470,000.00      | \$1,470,000.00  | 100%            |
| 14812            | NC               | The Vineyards At Cabot                    | Open               | 05/06/2025        | 11         | 72          | \$1,840,000.00      | \$1,656,000.01  | 90%             |
| 14829            | REHAB            | Fair Oaks Apartments Rehab                | Open               | 01/07/2025        | 19         | 100         | \$2,000,000.00      | \$1,800,000.00  | 90%             |
| 14915            | NC               | Cottage Lane Village                      | Open               | 09/22/2025        | 11         | 40          | \$1,760,000.00      | \$1,145,038.99  | 65%             |
| 14918            | NC               | The Peaks at Springdale III               | Open               | 09/15/2025        | 11         | 72          | \$1,925,000.00      | \$1,377,000.01  | 72%             |
| 14919            | NC               | Spavinaw Creek Senior Housing             | Open               | 04/23/2025        | 9          | 40          | \$1,426,512.00      | \$1,283,860.80  | 90%             |
| 14928            | NC               | Loraine Park of Lowell                    | Open               | 05/20/2025        | 9          | 60          | \$1,500,000.00      | \$1,270,140.90  | 85%             |
| 14942            | NC               | StonebrookPark and MeadowBrook Park Ph II | Open               | 07/15/2025        | 9          | 42          | \$1,050,000.00      | \$945,000.00    | 90%             |
| 14944            | NC               | The Vineyards At Cabot Ph II              | Open               | 08/25/2025        | 8          | 48          | \$1,320,000.00      | \$1,085,187.15  | 82%             |
| 14978            | NC               | McAuley Place Apartments                  | Open               | 9/2/2025          | 11         | 60          | \$1,980,000.00      | \$311,271.30    | 16%             |
| 14979            | NC               | McAuley Place Apartments - Ph II          | Open               |                   | 17         | 60          | \$3,000,000.00      | \$0.00          | 0%              |
| 14995            | NC               | The Bluffs at Shackleford                 | Open               |                   | 11         | 61          | \$2,000,000.00      | \$0.00          | 0%              |
| 15009            | NC               | Harrison Estates                          | Open               | 9/9/2025          | 10         | 60          | \$1,858,964.00      | \$450,000.00    | 24%             |
| 15010            | NC               | Harrison Estates Senior Housing           | Open               |                   | 11         | 60          | \$1,835,829.00      | \$0.00          | 0%              |
| 15013            | nc               | Walnut Commons 2024 (HOME)                | Open               |                   | 11         | 60          | \$1,800,000.00      | \$0.00          | 0%              |
|                  |                  | _   |                    |                   |            |             |                     | \$26,766,305.00 | \$12,793,499.16 |

\*\*2017 Grant Must Close ASAP

### **DEADLINE STATUS - PROJECTS**

| IDIS<br>Activity | Activity<br>Type | Activity Name                             | Earliest<br>Grant Yr | Expenditure<br>Deadline | Period of<br>Performance | SF-425<br>Filing<br>Deadline | Grant Closeout<br>Deadline | Written Agreement<br>Date | IDIS - 4 YR Project Completion Deadline | NOTES                       | Inspection<br>Date | % Construction Completion | Inspection Phase |
|------------------|------------------|---|----------------------|-------------------------|--------------------------|------------------------------|----------------------------|---------------------------|---|-----------------------------|--------------------|---------------------------|------------------|
| 14659            | NC               | Meadowbrook at Cabot, LP                  | 2017                 | 9/30/2025               | 9/30/2025                | 1/28/2026                    | 9/30/2026                  | 7/20/2022                 | 7/20/2026                               | **Pending<br>Tenant<br>Data | 7/30/2025          | 100%                      | FINAL            |
| 14812            | NC               | The Vineyards At Cabot                    | 2018                 | 9/30/2026               | 9/30/2026                | 1/28/2027                    | 9/30/2027                  | 10/16/2023                | 10/16/2027                              |                             | 5/13/2025          | 100%                      | FINAL            |
| 14829            | REHAB            | Fair Oaks Apartments Rehab                | 2020                 | 9/30/2028               | 9/30/2028                | 1/28/2029                    | 9/30/2029                  | 12/1/2023                 | 12/1/2027                               |                             | 4/16/2025          | 100%                      | FINAL            |
| 14915            | NC               | Cottage Lane Village                      | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 5/28/2024                 | 5/28/2028                               |                             | 7/17/2025          | 43%                       | CONSTRUCTION     |
| 14918            | NC               | The Peaks at Springdale III               | 2020                 | 9/30/2028               | 9/30/2028                | 1/28/2029                    | 9/30/2029                  | 6/26/2024                 | 6/26/2028                               |                             | 7/30/2025          | 50%                       | CONSTRUCTION     |
| 14919            | NC               | Spavinaw Creek Senior Housing             | 2020                 | 9/30/2028               | 9/30/2028                | 1/28/2029                    | 9/30/2029                  | 6/14/2024                 | 6/14/2028                               |                             | 4/17/2025          | 100%                      | FINAL            |
| 14928            | NC               | Loraine Park of Lowell                    | 2020                 | 9/30/2028               | 9/30/2028                | 1/28/2029                    | 9/30/2029                  | 9/6/2024                  | 9/6/2028                                |                             | 6/25/2024          | 20%                       | CONSTRUCTION     |
| 14942            | NC               | StonebrookPark and MeadowBrook Park Ph II | 2020                 | 9/30/2028               | 9/30/2028                | 1/28/2029                    | 9/30/2029                  | 9/9/2024                  | 9/9/2028                                |                             | 8/5/2025           | 82%                       | CONSTRUCTION     |
| 14944            | NC               | The Vineyards At Cabot Ph II              | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 8/12/2024                 | 8/12/2028                               |                             | 7/24/2025          | 92%                       | CONSTRUCTION     |
| 14978            | NC               | McAuley Place Apartments                  | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 2/24/2025                 | 2/24/2029                               |                             | 7/23/2025          | 5%                        | CONSTRUCTION     |
| 14979            | NC               | McAuley Place Apartments - Ph II          | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 2/24/2025                 | 2/24/2029                               |                             | 7/23/2025          | 1%                        | CONSTRUCTION     |
| 14995            | NC               | The Bluffs at Shackleford                 | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 6/26/2025                 | 6/26/2029                               |                             | 9/23/2025          | 2%                        | CONSTRUCTION     |
| 15009            | NC               | Harrison Estates                          | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 7/1/2025                  | 7/1/2029                                |                             | 9/4/2025           | 1%                        | CONSTRUCTION     |
| 15010            | NC               | Harrison Estates Senior Housing           | 2021                 | 9/30/2029               | 9/30/2029                | 1/28/2030                    | 9/30/2030                  | 7/1/2025                  | 7/1/2029                                |                             | 9/4/2025           | 1%                        | CONSTRUCTION     |
| 15013            | NC               | Walnut Commons 2024 (HOME)                | 2022                 | 9/30/2030               | 9/30/2030                | 1/28/2031                    | 9/30/2031                  | 8/6/2025                  | 8/6/2029                                |                             | 9/23/2025          | 1%                        | CONSTRUCTION     |
|                  |                  |   |                      | FAILED PRO              | DJECTS                   |                              |                            |                           |   |                             |                    |                           |                  |

### **FUNDING STATUS - ADMIN**

| 14509 | ADMIN | ADFA ADMINISTRATION (2020/18 AD - 2020 PA) | Open | 9/22/2025 | \$2,059,170.73 | \$1,706,914.17 | 82.9%  |
|-------|-------|--|------|-----------|----------------|----------------|--------|
| 14510 | ADMIN | ADFA ADMIN / RECORDING 2020                | Open | 9/16/2025 | \$15,472.30    | \$15,583.50    | 100.7% |
| 14677 | ADMIN | ADFA ADMINISTRATION 2021                   | Open |           | \$1,405,251.30 | \$0.00         | 0.0%   |
| 14762 | ADMIN | ADFA ADMINISTRATION 2022                   | Open |           | \$1,730,109.66 | \$0.00         | 0.0%   |
| 14940 | ADMIN | ADFA ADMINISTRATION 2023                   | Open |           | \$1,616,016.87 | \$0.00         | 0.0%   |
| 14953 | ADMIN | ADFA ADMINISTRATION 2023                   | Open |           | \$1,304,462.03 | \$0.00         | 0.0%   |
|       |       |  |      |           | \$8,130,482.89 | \$1,722,497.67 |        |

TOTAL HOME

\$34,896,787.89 \$14,515,996.83

# NHTF Activities Report

|                        |                 |                  |  |                      |                         | STATI                    | JS OF NHT                 | F ACTIVIT                     | IFS - IDIS                |                                  |                                       |                          |                                 |                  |
|------------------------|-----------------|------------------|--|----------------------|-------------------------|--------------------------|---------------------------|-------------------------------|---------------------------|----------------------------------|---------------------------------------|--------------------------|---------------------------------|------------------|
| 9/30/2025              |                 |                  |  |                      |                         | OTATO                    | <del>70 01 11111</del>    | AOTIVII                       | 120 1210                  |                                  |                                       |                          |                                 |                  |
|                        |                 |                  |  |                      | FUNDING                 | STATUS - PR              | OJECTS                    |                               |                           |                                  |                                       |                          |                                 |                  |
| IDIS<br>Activity<br>ID | Program<br>Year | Activity<br>Type | Activity Name                            | Activity<br>Status   | Last Draw<br>Date       | Initial<br>Funding Date  | HTF Units                 | Total Units                   | Committed Amount          | Drawn Amount                     | PCT                                   | TO BE<br>DEOBLIGATE<br>D |                                 |                  |
| 13894                  | 2020            | NC               | PATRIOT PARK (NHTF)                      | Open                 | 7/10/2024               | 9/8/2020                 | 14                        | 60                            | \$1,650,000.00            | \$1,649,000.00                   | 99.9%                                 | \$1,000.00               |                                 |                  |
| 14813                  | 2023            | NC               | THE VINEYARDS AT CABOT (NHTF)            | Open                 | 5/6/2025                | 11/13/2023               | 3                         | 72                            | \$425,000.00              | \$382,500.01                     | 90.0%                                 |                          |                                 |                  |
| 14830                  | 2023            | RH               | FAIR OAKS APARTMENTS<br>REHAB (NHTF)     | Open                 | 7/23/2025               | 1/17/2024                | 19                        | 100                           | \$2,000,000.00            | \$1,800,000.00                   | 90.0%                                 |                          |                                 |                  |
| 14917                  | 2024            | NC               | THE PEAKS AT<br>SPRINGDALE PH III (NHTF) | Open                 | 9/16/2025               | 8/6/2024                 | 4                         | 72                            | \$605,000.00              | \$400,500.00                     | 66.2%                                 |                          |                                 |                  |
| 14922                  | 2024            | NC               | LORAINE PARK OF LOWELL (NHTF)            | Open                 | 9/16/2025               | 8/19/2024                | 9                         | 60                            | \$1,500,000.00            | \$1,292,693.96                   | 86.2%                                 |                          |                                 |                  |
| 14995                  | 2024            | NC               | THE BLUFFS AT<br>SHACKLEFORD (NHTF)      | Open                 | 9/9/2025                | 6/27/2025                | 5                         | 61                            | \$1,000,000.00            | \$333,342.00                     | 33.3%                                 |                          |                                 |                  |
| 15011                  | 2023            | NC               | WALNUT COMMONS (NHTF)                    | Open                 |                         | 7/21/2025                | 4                         | 60                            | \$754,000.00              | \$0.00                           | 0.0%                                  |                          |                                 |                  |
|                        |                 |                  |  |                      |                         |                          |                           |                               | \$7,934,000.00            | \$5,858,035.97                   |                                       |                          |                                 |                  |
|                        |                 |                  |  |                      |                         | DE                       | ADLINE STA                | TUS - PRO                     | JECTS                     |                                  |                                       |                          |                                 |                  |
| IDIS<br>Activity<br>ID | Program<br>Year | Activity<br>Type | Activity Name                            | Earliest<br>Grant Yr | Expenditure<br>Deadline | Period of<br>Performance | SF-425 Filing<br>Deadline | Grant<br>Closeout<br>Deadline | Written Agreement<br>Date | 4 YR Project Completion Deadline | NOTES                                 | Inspection<br>Date       | %<br>Construction<br>Completion | Inspection Phase |
| 13894                  | 2020            | NC               | PATRIOT PARK (NHTF)                      | 2018                 | 9/12/2023               | 9/12/2025                | 1/10/2026                 | 9/12/2026                     | 9/2/2020                  | Extended to 6/30/2025            | POTENTIAL TO<br>BE BLOCKED IN<br>IDIS | 8/19/2025                | 12%                             | CONSTRUCTION     |
| 14813                  | 2023            | NC               | THE VINEYARDS AT CABOT (NHTF)            | 2022                 | 8/29/2027               | 8/29/2029                | 12/27/2029                | 8/29/2030                     | 10/16/2023                | 10/16/2027                       |                                       | 5/13/2025                | 100%                            | FINAL            |
| 14830                  | 2023            | RH               | FAIR OAKS APARTMENTS<br>REHAB (NHTF)     | 2022                 | 8/29/2027               | 8/29/2029                | 12/27/2029                | 8/29/2030                     | 12/12/2023                | 12/12/2027                       |                                       | 4/16/2025                | 100%                            | FINAL            |
| 14917                  | 2024            | NC               | THE PEAKS AT<br>SPRINGDALE PH III (NHTF) | 2020                 | 7/31/2025               | 7/31/2027                | 11/28/2027                | 7/31/2028                     | 6/26/2024                 | 6/26/2028                        |                                       | 8/20/2025                | 63%                             | CONSTRUCTION     |
| 14922                  | 2024            | NC               | LORAINE PARK OF LOWELL (NHTF)            | 2022                 | 8/29/2027               | 8/29/2029                | 12/27/2029                | 8/29/2030                     | 8/19/2024                 | 8/19/2028                        |                                       | 8/11/2025                | 35%                             | CONSTRUCTION     |
| 14998                  | 2024            | NC               | THE BLUFFS AT<br>SHACKLEFORD (NHTF)      | 2023                 | 8/1/2028                | 8/1/2030                 | 11/29/2030                | 8/1/2031                      | 6/11/2025                 | 6/11/2029                        |                                       | 9/23/2025                | 2%                              | CONSTRUCTION     |
| 15011                  | 2024            | nc               | WALNUT COMMONS 2024<br>(NHTF)            | 2023                 | 8/1/2028                | 8/1/2030                 | 11/29/2030                | 8/1/2031                      | 7/18/2025                 | 7/18/2029                        |                                       | 9/23/2025                | 1%                              | CONSTRUCTION     |
|                        |                 |                  |  |                      |                         |                          | FUNDING ST                | ATUS - AD                     | MIN                       |                                  |                                       |                          |                                 |                  |
| IDIS<br>Activity<br>ID | Program<br>Year | Activity<br>Type | Activity Name                            | Activity<br>Status   | Last Draw<br>Date       | Initial<br>Funding Date  |                           |                               | Committed Amount          | Drawn Amount                     | PCT                                   | Expenditure<br>Deadline  |                                 |                  |
| 14512                  | 2021            | ADMIN            | ADFA NHTF ADMIN 2021                     | Open                 | 9/16/2025               | 11/23/2021               |                           |                               | \$412,310.90              | \$48,465.54                      | 12%                                   | 10/31/2026               |                                 |                  |
| 14725                  | 2022            | ADMIN            | ADFA NHTF ADMIN 2022                     | Open                 |                         | 2/13/2023                |                           |                               | \$457,393.80              | \$0.00                           | 0%                                    | 8/29/2027                |                                 |                  |
| 14921                  | 2023            | ADMIN            | ADFA NHTF ADMIN 2023                     | Open                 |                         | 8/9/2024                 |                           |                               | \$300,053.71              | \$0.00                           | 0%                                    | 8/1/2028                 |                                 |                  |
| 14921                  | 2024            | ADMIN            | ADFA NHTF ADMIN 2024                     | Open                 |                         | 2/10/2025                |                           |                               | \$300,009.49              | \$0.00                           | 0%                                    | 12/17/2029               |                                 |                  |
|                        |                 |                  |  |                      |                         | 1                        | TOTAL                     |                               | \$1,469,767.90            |                                  |                                       |                          |                                 |                  |
|                        |                 |                  |  |                      |                         |                          | TOTAL NHTF                |                               | \$9,403,767.90            | \$5,906,501.51                   |                                       |                          |                                 |                  |

# **HOME - ARP Activities Report**

|   |   |                      |  | HOI                                 | ME-ARP                             |                         |                               |                                    |                                    |                                     |                                     |
|---|---|----------------------|--|-------------------------------------|------------------------------------|-------------------------|-------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Organization  | Proposed Use                                      | Status               | Non Profit<br>Operating<br>Assistance<br>Funding | Disbursed<br>Year 1                 | Approved<br>Disbursement<br>Year 2 | %<br>Expended<br>Year 2 | Funding Year<br>2             | 3 Months<br>(Yr 2)<br>25%          | 6 Months<br>(Yr 2)<br>50%          | 9 Months<br>(Yr 2)<br>75%           | 12 Months<br>(Yr 2)<br>100%         |
| Restore Hope, Inc   | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$300,000.00                                     | \$150,000.00                        | \$75,000.00                        | 50%                     | \$150,000                     | \$37,500.00                        | \$75,000.00                        | \$112,500.00                        | \$150,000.00                        |
| Riverview Hope Campus   | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$138,246.00                                     | \$58,299.00                         | \$60,525.79                        | 76%                     | \$79,947                      | \$19,986.75                        | \$39,973.50                        | \$59,960.25                         | \$79,947.00                         |
| Arkansas Enterprises for the<br>Developmentaly Disabled, Inc (AEDD)   | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$300,000.00                                     | \$150,000.00                        | \$75,000.00                        | 50%                     | \$150,000                     | \$37,500.00                        | \$75,000.00                        | \$112,500.00                        | \$150,000.00                        |
| Legal Aid of Arkansas   | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$300,000.00                                     | \$150,000.00                        | \$75,000.00                        | 50%                     | \$150,000                     | \$37,500.00                        | \$75,000.00                        | \$112,500.00                        | \$150,000.00                        |
| Fort Smith Children's Shelter   | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$123,702.00                                     | \$50,000.00                         | \$73,702.00                        | 100%                    | \$73,702                      | \$18,425.50                        | \$36,851.00                        | \$55,276.50                         | \$73,702.00                         |
| Next Step Day Room Inc  | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$136,500.00                                     | \$68,250.00                         | \$47,538.45                        | 70%                     | \$68,250                      | \$17,062.50                        | \$34,125.00                        | \$51,187.50                         | \$68,250.00                         |
| Women & Children First  | Operating Expense<br>Assistance                   | Notice to<br>Proceed | \$300,000.00<br><b>\$1,598,448.00</b>            | \$150,000.00<br><b>\$776,549.00</b> | \$84,634.58<br>\$491,400.82        | 56%<br>60%              | \$150,000<br><b>\$821,899</b> | \$37,500.00<br><b>\$205,474.75</b> | \$75,000.00<br><b>\$410,949.50</b> | \$112,500.00<br><b>\$616,424.25</b> | \$150,000.00<br><b>\$821,899.00</b> |
|   |   |                      | \$1,000,440.00                                   | ψ110,043.00                         | ψ451,400.0 <u>2</u>                | 0070                    | <b>\$021,033</b>              | \$200,414.10                       | ψ410,545.50                        | \$610,424.20                        | <b>\$021,000.00</b>                 |
| Organization  | Proposed Use                                      | Status               | Supportive<br>Services<br>Funding                | Project Delivery                    | Approved<br>Disbursement           | %<br>Expended           | Deobligation<br>Amount        | 6 Months<br>25%                    | 12 Months<br>50%                   | 18 Months<br>75%                    | 24 Months<br>100%                   |
| Legal Aid of Arkansas   | Supportive Services                               | Notice to<br>Proceed | \$660,766.00                                     | n/a                                 | \$139,755.38                       |                         | \$396,013.27                  | \$165,191.50                       | \$330,383.00                       | \$495,574.50                        | \$660,766.00                        |
| Restore Hope, Inc   | Supportive Services                               | Notice to<br>Proceed | \$900,000.00                                     | \$90,000.00                         | \$440,028.75                       | 59%                     | \$242,107.09                  | \$247,500.00                       | \$495,000.00                       | \$742,500.00                        | \$990,000.00                        |
| Riverview Hope Campus   | Supportive Services                               | Notice to<br>Proceed | \$700,000.00                                     | \$50,000.00                         | \$255,571.77                       | 50%                     | \$243,538.99                  | \$187,500.00                       | \$375,000.00                       | \$562,500.00                        | \$750,000.00                        |
| Serve NWA   | Supportive Services                               | Notice to<br>Proceed | \$300,000.00                                     | \$30,000.00                         | \$146,509.29                       | 61%                     | \$87,947.42                   | \$82,500.00                        | \$165,000.00                       | \$247,500.00                        | \$330,000.00                        |
| Fort Smith Children's Shelter   | Supportive Services                               | Notice to<br>Proceed | \$537,900.00                                     | \$53,790.00                         | \$398,141.72                       | 73%                     | \$43,859.04                   | \$147,922.50                       | \$295,845.00                       | \$443,767.50                        | \$591,690.00                        |
| Women & Children First  | Supportive Services                               | Notice to<br>Proceed | \$717,000.00                                     | \$71,700.00                         | \$151,950.54                       | 31%                     | \$298,526.66                  | \$197,175.00                       | \$394,350.00                       | \$591,525.00                        | \$788,700.00                        |
| Next Step Day Room Inc  | Supportive Services                               | Notice to<br>Proceed | \$92,000.00                                      | \$9,200.00                          | \$63,123.59                        | 64%                     | \$2,189.94                    | \$25,300.00                        | \$50,600.00                        | \$75,900.00                         | \$101,200.00                        |
| Our House Inc   | Supportive Services                               | Notice to<br>Proceed | \$635,000.00                                     | \$63,500.00                         | \$547,152.65                       | 81%                     | \$26,464.66                   | \$174,625.00                       | \$349,250.00                       | \$448,875.00                        | \$698,500.00                        |
| Ouachita Children, Youth & Family Center  | Supportive Services                               | Notice to<br>Proceed | \$413,000.00                                     | \$41,300.00                         | \$53,571.38                        | 100%                    | \$400,728.62                  | \$113,575.00                       | \$227,150.00                       | \$340,725.00                        | \$454,300.00                        |
| Center for Arkansas Legal Services  | Supportive Services                               | Notice to<br>Proceed | \$591,261.00                                     | \$59,126.00                         | \$211,747.46                       | 86%                     | \$403,581.55                  | \$162,596.75                       | \$325,193.50                       | \$487,790.25                        | \$650,387.00                        |
| Community Action Program for Central AR   | Supportive Services                               | Notice to<br>Proceed | \$900,000.00                                     | \$90,000.00                         | \$644,310.47                       | 84%                     | \$222,629.57                  | \$247,500.00                       | \$495,000.00                       | \$742,500.00                        | \$990,000.00                        |
| St Bernards Development Foundation  | Supportive Services                               | Notice to<br>Proceed | \$300,000.00                                     | \$30,000.00                         | \$244,391.93                       | 86%                     | \$44,310.23                   | \$82,500.00                        | \$165,000.00                       | \$247,500.00                        | \$330,000.00                        |
|   |   |                      | \$6,746,927.00                                   | \$588,616.00                        | \$3,296,254.93                     | 67%                     | \$2,411,897.04                | \$1,833,885.75                     | \$3,667,771.50                     | \$5,426,657.25                      | \$7,335,543.00                      |
| Organization  | Proposed Use                                      | Status               | ADFA HOME-<br>ARP NCS<br>Project                 | Approved<br>Disbursement            | 9/ Evnandad                        | 700                     | 700                           | 700                                | T00                                | <b>TDD</b>                          | T00                                 |
|   | Non-Congregate                                    | Notice to            | Funding  |                                     | % Expended                         | TBD                     | TBD                           | TBD                                | TBD                                | TBD                                 | TBD                                 |
| Women & Children First  | Shelter<br>Non-Congregate                         | Approved by          | \$ 7,000,000.00                                  | \$ 3,553,405.16                     | 50.76%                             |                         |                               |                                    |                                    |                                     |                                     |
| Next Step Day Room Inc  Arkansas Enterprises for the  | Shelter<br>Non-Congregate                         | Board<br>Notice to   | \$ 3,696,295.23                                  |                                     | 0.00%                              |                         |                               |                                    |                                    |                                     |                                     |
| Developmentaly Disabled, Inc (AEDD)   | Shelter Non-Congregate                            | Application          | \$ 4,618,543.00                                  |                                     | 0.00%                              |                         |                               |                                    |                                    |                                     |                                     |
| Fort Smith Children's Shelter  Our House Inc  | Shelter Non-Congregate Shelter                    | Notice to<br>Proceed | \$ -   | ¢ 100.075.00                        | #DIV/0!                            |                         |                               |                                    |                                    |                                     |                                     |
| *Available Funds for NC An additional \$194,330.27 that will be added Amendm ADFA anticipates there will be a total o | CS: \$6,188,353.17* I following an approved Nent. | Ion-Substantial      | \$ 3,772,484.85<br>\$ 19,087,323.08              |                                     | 4.31%                              |                         |                               |                                    | *Repo                              | rt as of October                    | 7, 2025                             |

### ESG and CDBG-DR Activities Report

|   |                              | STATUS                   | S OF ESG ACTIVI   | TIES - IDIS          |                         |                    |            |                 |                  |
|---|------------------------------|--------------------------|-------------------|----------------------|-------------------------|--------------------|------------|-----------------|------------------|
| 9/30/2025                                 |                              |                          |                   | 0                    |                         |                    |            |                 |                  |
|   |                              | FUN                      | DING STATUS - PRO | DJECTS               |                         |                    |            |                 |                  |
| Entity Name                               | Program Year                 | AWARDED                  | Emergency Shelter | Rapid Re-<br>Housing | Homeless-<br>ness Prev. | Street<br>Outreach | HMIS       | Admin           | GRANT<br>BALANCE |
| ARVAC, Inc                                | 2024                         | \$789,500.00             | \$199,736.25      | \$6,076.63           | \$396.66                | \$13,177.95        |            |                 | \$570,112.51     |
| Crowley's Ridge Development Council, Inc. | 2024                         | \$90,100.00              |                   | \$9,931.82           |                         |                    | \$301.87   |                 | \$79,866.3°      |
| Harrison House of Hope                    | 2024                         | \$112,100.00             | \$771.91          |                      |                         |                    |            |                 | \$111,328.09     |
| Hot Springs CRC Center                    | 2024                         | \$59,974.00              |                   |                      |                         |                    |            |                 | \$59,974.00      |
| Margie's Haven House                      | 2024                         | \$25,295.50              | \$6,169.05        |                      |                         |                    |            |                 | \$19,126.4       |
| Micah 6:8 Initiatiave                     | 2024                         | \$142,000.00             |                   |                      |                         |                    |            |                 | \$142,000.0      |
| Mission Outreach of NEA, Inc.             | 2024                         | \$36,350.00              |                   |                      |                         |                    |            |                 | \$33,736.3       |
| Next Step ADFA ESG Project                | 2024                         | \$100,700.00             | \$16,154.39       |                      |                         | \$342.87           | \$720.00   |                 | \$83,482.74      |
| Our House Shelter Program                 | 2024                         | \$72,500.00              | \$8,856.68        |                      |                         |                    |            |                 | \$63,643.32      |
| Peace at Home                             | 2024                         | \$31,800.00              | \$4,848.39        |                      |                         |                    |            |                 | \$26,951.61      |
| River City Ministry of Pulaski Co         | 2024                         | \$80,800.00              | \$10,305.41       |                      |                         |                    |            | \$505.34        | \$69,989.2       |
| River Valley Shelter                      | 2024                         | \$37,013.00              |                   |                      |                         |                    |            |                 | \$37,013.00      |
| Riverview Hope Campus                     | 2024                         | \$291,818.00             | \$3,059.36        |                      |                         |                    |            | \$99.00         | \$288,659.64     |
| Second Chance DV SA Shelter               | 2024                         | \$15,900.00              | \$2,329.27        |                      |                         |                    |            |                 | \$13,570.73      |
| SERVE NWA - New Beginnings                | 2024                         | \$98,555.80              | \$18,216.93       |                      |                         |                    |            | \$646.70        | \$79,692.17      |
| St. Bernards Foundation                   | 2024                         | \$10,000.00              | \$471.12          |                      |                         | \$1,071.22         |            | Ī               | \$8,457.66       |
| St. Francis House                         | 2024                         | \$50,500.00              | \$7,093.73        |                      |                         |                    |            | \$73.18         | \$43,333.09      |
| The Salvation Army-El Dorado              | 2024                         | \$126,075.00             | \$8,580.47        |                      | \$275.40                |                    |            |                 | \$117,219.13     |
| The Salvation Army NWA                    | 2024                         | \$100,000.00             | \$16,416.58       |                      |                         |                    |            |                 | \$83,583.42      |
| Women & Children First                    | 2024                         | \$44,990.40              | \$4,506.93        |                      |                         |                    |            |                 | \$40,483.47      |
|   | -                            | \$2,315,971.70           | \$310,130.12      | \$16,008.45          | \$672.06                | \$14,592.04        | \$1,021.87 | \$1,324.22      | \$1,972,222.94   |
|   |                              |                          |                   |                      |                         |                    |            |                 |                  |
|   | •                            |                          | FUNDS AVAILAB     | LE - IDIS            |                         |                    |            |                 |                  |
| 9/30/2025                                 |                              | ANNUAL ALLOCA            |                   |                      |                         |                    |            |                 |                  |
| ANNUAL ALLOCATION                         | 2023                         | 2024                     | 2025              |                      |                         |                    |            |                 |                  |
|   | \$598,695.48                 | \$2,296,487.00           | \$2,271,567.00    |                      |                         |                    |            |                 |                  |
| ACTIVITIES                                |                              |                          |                   |                      |                         |                    |            |                 |                  |
| ADMINISTRATIVE - 7.5%                     |                              | \$172,236.53             | \$170,367.53      |                      |                         |                    |            |                 |                  |
| HMIS - 10%                                |                              | \$229,648.70             | \$227,156.70      |                      |                         |                    |            |                 |                  |
| STREET OUTREACH - 2.5%                    |                              | \$57,412.18              |                   |                      |                         |                    |            |                 |                  |
| HOMELESS PREVENTION - 10%                 |                              | \$459,297.40             | \$227,156.70      |                      |                         |                    |            |                 |                  |
| RAPID RE-HOUSING - 20%                    |                              | \$459,297.40             | \$454,313.40      |                      |                         |                    |            |                 |                  |
| SHELTER - 50%                             |                              | \$1,148,243.50           | \$1,135,783.50    |                      |                         |                    |            |                 |                  |
|   |                              | xpended from 202         |                   |                      |                         |                    |            |                 |                  |
|   | \$211,368.79 - R<br>closeout | emaining to Expe         | end 2023 before   |                      |                         |                    |            |                 |                  |
|   | \$699.41 - Expe              | nded from 2024 E         | SG Admin          |                      | \$152,340.49 -          | 2023 - DEOB        | LIGATED    |                 |                  |
|   | Grant Year                   | Available to<br>Subgrant |                   |                      | -                       |                    |            |                 |                  |
| EN  | 2025                         | \$2,044,410.30           |                   |                      |                         |                    |            |                 |                  |
|   | 2024                         | \$2,124,250.48           |                   |                      |                         |                    |            |                 |                  |
|   | 2023                         | \$211,368.79             |                   |                      |                         |                    |            |                 |                  |
|   |                              | Available for Projects   | Less Board App    | provals Not Yet      | Committeed              |                    | Ava        | ilable to Commi |                  |
|   | •                            |                          | \$4,380,029.57    |                      |                         | \$0.00             |            |                 | \$4,380,029.57   |
|   |                              |                          | , .,,             |                      |                         | 7                  |            |                 | , ., <b>,</b>    |

|                        |                | STATU                 | S OF CDBG-DR AC        | STATUS OF CDBG-DR ACTIVITIES - IDIS |                     |                 |        |                     |  |  |  |  |
|------------------------|----------------|-----------------------|------------------------|-------------------------------------|---------------------|-----------------|--------|---------------------|--|--|--|--|
| 9/30/2025              | ALLOC <i>A</i> | ATIONS                |                        |                                     |                     |                 |        |                     |  |  |  |  |
| ANNUAL ALLOCATION      | 2019           | 2025                  |                        |                                     |                     |                 |        |                     |  |  |  |  |
|                        | \$8,940,000.00 | \$59,048,000.00       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| ACTIVITIES             |                |                       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| ADMIN                  | \$447,000.00   |                       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| PLANNING OVERVIEW      |                | \$1,000,000.00        |                        |                                     |                     |                 |        |                     |  |  |  |  |
| MF NEW CONSTRUCTION    | \$8,493,000.00 |                       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| SF NEW CONSTRUCTION    |                | \$20,000,000.00       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| FEMA NON-FEDERAL MATCH |                | \$6,095,600.00        |                        |                                     |                     |                 |        |                     |  |  |  |  |
| INFRASTRUCTURE/HOUSING |                | \$5,000,000.00        |                        |                                     |                     |                 |        |                     |  |  |  |  |
|                        |                | Tentative             |                        |                                     |                     |                 |        |                     |  |  |  |  |
|                        |                |                       |                        |                                     |                     |                 |        |                     |  |  |  |  |
|                        |                |                       |                        |                                     | Committed<br>Amount | Drawn<br>Amount |        |                     |  |  |  |  |
| DRGR                   |                |                       |                        | FUNDING TOTALS                      | \$0.00              | \$0.00          |        |                     |  |  |  |  |
|                        | Grant Year     | Available to Subgrant |                        |                                     |                     |                 |        |                     |  |  |  |  |
| Pending                | 2019           | \$8,493,000.00        | Available for Projects | Less Board Approvals Not            | Yet Committeed      |                 |        | Available to Commit |  |  |  |  |
|                        |                | -                     | -                      |                                     |                     |                 | \$0.00 | \$8,493,000.00      |  |  |  |  |
|                        |                |                       |                        |                                     |                     |                 |        |                     |  |  |  |  |
| Pending                | 2025           | \$56,095,600.00       | Available for Projects | Less Board Approvals Not            | Yet Committeed      |                 |        | Available to Commit |  |  |  |  |
|                        |                |                       |                        |                                     |                     |                 | \$0.00 | \$56,095,600.00     |  |  |  |  |

### NHTF and HOME Funds Available

|           |            |                  |                             | NHTF FUNDS AVAILA           | ABLE - IDIS             |   |            |                  |                     |
|-----------|------------|------------------|-----------------------------|-----------------------------|-------------------------|---|------------|------------------|---------------------|
| 9/30/2025 |            |                  |                             |                             | Committed<br>Amount     | Drawn Amount                            |            |                  |                     |
| NHTF      |            |                  |                             | FUNDING TOTALS              | \$9,403,767.90          | \$5,906,501.51                          |            |                  |                     |
|           |            | AVAILABLE TO COM | /MIT                        |                             | , , , , , , , , , , , , | , |            |                  |                     |
|           |            | Available to     |                             |                             |                         |   |            |                  |                     |
|           | Grant Year | Subgrant         |                             |                             |                         |   |            |                  |                     |
| EN        | 2025       | \$2,701,133.42   |                             |                             |                         |   |            |                  |                     |
|           | 2024       | \$2,698,519.14   |                             |                             |                         |   |            |                  |                     |
| PI        | 2025       | \$524,431.69     |                             |                             |                         |   |            |                  |                     |
| L         | 2024       | \$15,507.56      |                             |                             |                         |   |            |                  |                     |
|           |            | \$5,939,591.81   | Available for Projects      |                             |                         | Less Board Ap                           | provals No | t Yet Committeed | Available to Comm   |
|           |            |                  |                             |                             |                         |   |            | \$3,428,631.00   | \$2,510,960.81      |
|           |            |                  |                             | HOME FUNDS AVAIL            | ARI E - IDIS            |   |            |                  |                     |
|           |            |                  |                             | TIOME I ONDO AVAIL          |                         |   |            |                  |                     |
|           |            |                  |                             |                             | Committed<br>Amount     | Drawn Amount                            |            |                  |                     |
| HOME      |            |                  |                             | FUNDING TOTALS              | \$34,896,787.89         | \$14,515,996.83                         |            |                  |                     |
| BLE TO C  |            |                  |                             |                             | , , ,                   | , , ,                                   |            |                  |                     |
| 1         |            | Available to     |                             |                             |                         |   |            |                  |                     |
|           | Grant Year | Subgrant         |                             |                             |                         |   |            |                  |                     |
| EN        | 2025       | \$6,788,703.17   |                             |                             |                         |   |            |                  |                     |
|           | 2024       | \$6,644,757.00   |                             |                             |                         |   |            |                  |                     |
|           | 2023       | \$7,935,228.75   |                             |                             |                         |   |            |                  |                     |
|           | 2022       | \$10,089,308.95  | •                           |                             |                         |   |            |                  |                     |
| PI        | 2024       | \$6,048,347.24   |                             |                             |                         |   |            |                  |                     |
|           | 2023       | \$5,021,877.35   |                             |                             |                         |   |            |                  |                     |
|           | 2022       | \$3,336,066.67   |                             |                             |                         |   |            |                  |                     |
| HP        | 2024       | \$116,373.54     |                             |                             |                         |   |            |                  |                     |
|           | 2023       | \$266,205.52     |                             |                             |                         |   |            |                  |                     |
|           | 2022       | \$169,959.52     |                             |                             |                         |   |            |                  |                     |
| IU        | 2025       | \$185,379.06     |                             | •                           |                         |   |            |                  |                     |
|           | 2024       | \$772,391.54     |                             |                             |                         |   |            |                  |                     |
| լ Լ       | 2023       | \$162,783.60     |                             |                             |                         |   |            |                  | Avellable to Commit |
|           |            |                  | Available for Projects      |                             |                         | Less Board A                            | pprovals N | ot Yet Committed | Available to Commit |
| CR        | 2025       | \$1,357,740.63   |                             |                             |                         |   |            | \$23,145,352.00  | \$24,392,029.91     |
|           | 2024       | \$1,328,951.40   |                             |                             |                         |   |            |                  |                     |
| Į l       | 2023       | \$1,587,045.75   |                             |                             |                         |   |            | Accellate to the | - OUDO O!t t        |
|           |            | \$4,273,737.78   | Available for CHDO Projects | Less Board Approvals Not Ye | t Committed             |   | ** -       |                  | r CHDO Commitment   |
|           |            |                  |                             |                             |                         |   | \$0.00     |                  | \$4,273,737.78      |

| July - Sept. 2025 Comp      | oliance Mo  | nitoring Act    | ivities        |                |                              | Score = Non Compliance   |
|-----------------------------|-------------|-----------------|----------------|----------------|------------------------------|--|
|                             |             |                 |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name               | Review Date | Auditor         | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |  |
|                             |             |                 |                |                |                              |  |
| Delta Pointe Apartments     | 7/29/2025   | Gabby Cruz      | 12             | 0              | 2                            | 2 16-30%   |
|                             |             |                 |                |                |                              |  |
| Shady Oaks                  | 7/30/2025   | Nedra Whitaker  | 9              | 0              | 5                            | 5 >50%   |
| Meadows at Forrest City     | 7/30/2025   | Nedra Whitaker  | 10             | 0              | 7                            | 5 >50%   |
| Hughes Villias              | 7/30/2025   | Nedra Whitaker  | 5              | 0              | 4                            | 5 >50%   |
| -5                          | 7730,2023   | Treate Williams | J              | Ü              | 4                            | 5 / 50 / 6   |
| Hughes Meadows              | 7/31/2025   | Meshawn Conner  | 5              | 0              | 3                            | 5 >50%   |
| Monthly Total Units / Total |             |                 |                |                |                              |  |
| Files                       |             |                 | 351            | 170            | 266                          |  |
|                             |             |                 |                |                |                              |  |
| Holt District               | 7/28/2025   | Tammy White     | 0              | 51             | 14                           | 2 16-30%   |

| pliance Moi | nitoring Act                 | ivities  |  |   | Score = Non Compliance  |
|-------------|------------------------------|--|--|---|---|
|             |                              |  |  |   | No Findings<br>1 >0 - 15%<br>2 16 - 30%<br>3 31 - 40%<br>4 41 - 50%<br>5 51+% |
| Review Date | Auditor                      | Units Reviewed   | Files Reviewed   |   |   |
|             |                              | 7  | 0  |   | 5>50%   |
|             | -                            |  |  |   |   |
| 7/31/2025   | Meshawn Conner               | 5  | 0  | 1   | 2 16-30%  |
| 8/1/2025    | Catrina Ingram               | 9  | 0  | 5   | 5 >50%  |
| 8/1/2025    | Catrina Ingram               | 5  | 0  | 4   | 5 >50%  |
|             |                              |  |  |   |   |
| 8/1/2025    | Catrina Ingram               | 8  | 0  | 6   | 5>50%   |
| 8/2/2025    | Gabby Cruz                   | 0  | 6  | 31  | 4 41-50%  |
|             | 7/31/2025 7/31/2025 8/1/2025 | Review Date Auditor  7/31/2025 Catrina Ingram  7/31/2025 Catrina Ingram  8/1/2025 Catrina Ingram  8/1/2025 Catrina Ingram  8/1/2025 Catrina Ingram | 7/31/2025 Catrina Ingram 7  7/31/2025 Meshawn Conner 5  8/1/2025 Catrina Ingram 9  8/1/2025 Catrina Ingram 5 | Review Date         Auditor         Units Reviewed         Files Reviewed           7/31/2025         Catrina Ingram         7         0           7/31/2025         Meshawn Conner         5         0           8/1/2025         Catrina Ingram         9         0           8/1/2025         Catrina Ingram         5         0           8/1/2025         Catrina Ingram         5         0 | Review Date   |

| July - Sept. 2025 Comp       | oliance Mo  | nitoring Act        | ivities        |                  |                              | Score = Non Compliance   |
|------------------------------|-------------|---------------------|----------------|------------------|------------------------------|--|
|                              |             |                     |                |                  |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                | Review Date | Auditor             | Units Reviewed | Files Reviewed   | Units/Files<br>Non-Compliant | Score  |
| Topolly name                 | neview sate | Addito              | Onics reviewed | The six Neviewed | ноп-сопірнанс                | Score  |
| Hamlet at Conway             | 8/6/2025    | Nedra Whitaker      | 0              | 23               | 0                            | No Findings  |
| Homes at Granite Mountain    | 8/6/2025    | Meshawn Conner      | 15             | 0                | 14                           | 5>50%  |
| Meadows Crossing - PRLF Only | 8/12/2025   | Gabby Cruz          | 5              | 0                | 5                            | 5 >50%   |
| Ridge at Searcy I            |             | ,<br>Nedra Whitaker | 10             | 0                | 5                            | 4 41-50%   |
| inage acceptive              | 6/12/2023   | Neura Williamei     | 10             | Ü                | 3                            | 4 41-30%   |
| Ridge at Searcy II           | 8/12/2025   | Nedra Whitaker      | 8              | 0                | 0                            | No Findings  |
| Peaks at Searcy              | 8/13/2025   | Catrina Ingram      | 10             | o                | 0                            | No Findings  |

| July - Sept. 2025 Comp             | oliance Moi | nitoring Act   | ivities        |                |               | Score = Non Co | ompliance                           |
|------------------------------------|-------------|----------------|----------------|----------------|---------------|----------------|-------------------------------------|
|                                    |             |                |                |                |               | 1              | No Findings<br>>0 - 15%<br>16 - 30% |
|                                    |             |                |                |                |               | 2 3            | 31 - 40%                            |
|                                    |             |                |                |                |               | 4              | 41 - 50%                            |
|                                    |             |                |                |                | Units/Files   | 5              | 51+%                                |
| Property Name                      | Review Date | Auditor        | Units Reviewed | Files Reviewed | Non-Compliant |                | Score                               |
| Villes of Source                   | 9/14/2025   | Nodra Whitakar | 11             | 0              | 0             |                | No Findings                         |
| Villas of Searcy                   | 8/14/2025   | Nedra Whitaker | 11             | U              | U             |                | NO FINAINGS                         |
|                                    |             |                |                |                | ,             |                |                                     |
| Meadow Lake Apartments - HOME Only | 8/13/2025   | Meshawn Conner | 5              | 0              | 3             |                | 5>50%                               |
|                                    |             |                |                |                |               | ,              | No Sindiana                         |
| Valley Estates of Heber Springs    | 8/14/2025   | Nedra Whitaker | 8              | 0              | 0             |                | No Findings                         |
|                                    |             |                |                |                |               |                |                                     |
| Riverwood Village                  | 8/18/2025   | Meshawn Conner | 0              | 16             | 6             |                | 3 31-40%                            |
|                                    |             |                |                |                |               |                |                                     |
| Nantucket I                        | 8/18/2025   | Gabby Cruz     | 0              | 10             | 4             |                | 3 31-40%                            |
|                                    |             |                |                | _              |               |                | E. F.02/                            |
| Fulton Square Apartments           | 8/18/2025   | Meshawn Conner | 0              | 9              | 9             |                | 5>50%                               |

| July - Sept. 2025 Com            | pliance Mo  | nitoring Act   | ivities        |                |                              | Score = Non Compliance   |
|----------------------------------|-------------|----------------|----------------|----------------|------------------------------|--|
|                                  |             |                |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                    | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |  |
|                                  |             |                |                |                |                              |  |
| Valley Estates of Mabelvale II   | 8/19/2025   | Meshawn Conner | 10             | 0              | 6                            | 5>50%  |
|                                  |             |                |                |                |                              |  |
| Valley Estates of Mabelvale I    | 8/19/2025   | Meshawn Conner | 10             | 0              | 3                            | 2 16-30%   |
|                                  | 0 (00 (000) |                |                |                |                              | 2.15.2004  |
| Orchards of Mabelvale I          | 8/20/2025   | Nedra Whitaker | 10             | 0              | 2                            | 2 16-30%   |
|                                  | 0 (00 (000) |                |                |                |                              | 1.0.4594   |
| Orchards of Mabelvale II         | 8/20/2025   | Nedra Whitaker | 9              | 0              | 1                            | 1 0-15%  |
|                                  |             |                |                |                |                              |  |
| Madison Estates                  | 8/20/2025   | Nedra Whitaker | 0              | 7              | 0                            | No Findings  |
|                                  |             |                |                |                |                              |  |
| Ford Properties Homes - NSP Only | 8/21/2025   | Meshawn Conner | 5              | 0              | 4                            | 5>50%  |

| July - Sept. 2025 Comp               | oliance Moi | nitoring Act     | ivities        |                |                              | Score = Non Compliance  |
|--------------------------------------|-------------|------------------|----------------|----------------|------------------------------|---|
|                                      |             |                  |                |                |                              | No Findings<br>1 >0 - 15%<br>2 16 - 30%<br>3 31 - 40%<br>4 41 - 50%<br>5 51+% |
| Property Name                        | Review Date | Auditor          | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |   |
|                                      |             |                  |                |                |                              |   |
| College Park Independent - Home Only | 8/21/2025   | Gabby Cruz       | 5              | 0              | 3                            | 5>50%   |
| Keown Homes                          | 8/21/2025   | Gabby Cruz       | 7              | 0              | 7                            | 5>50%   |
| neewin nomes                         | 0/21/2023   | Gabby Cruz       | ,              | 3              | ,                            | 323070  |
| Elm Street Community                 | 8/22/2025   | Gabby Cruz       | 10             | 0              | 10                           | 5>50%   |
|                                      |             |                  |                |                |                              |   |
| Cumberland Manor                     | 8/22/2025   | Nedra Whitaker   | 10             | 0              | 5                            | 4 41-50%  |
| Motropolitan Villago                 | 9/22/2025   | Nadro White-Lear |                |                |                              | 4 45 500  |
| Metropolitan Village                 | 8/22/2025   | Nedra Whitaker   | 9              | 0              | 4                            | 4 41-50%  |
| Garden Walk of Barling               | 8/25/2025   | Gabby Cruz       | 9              | 0              | 2                            | 2 16-30%  |

| July - Sept. 2025 Comp               | oliance Mo  | nitoring Acti  | vities         |                |                              | Score = Non Compliance  |
|--------------------------------------|-------------|----------------|----------------|----------------|------------------------------|---|
|                                      |             |                |                |                |                              | No Findings<br>1 >0 - 15%<br>2 16 - 30%<br>3 31 - 40%<br>4 41 - 50%<br>5 51+% |
| Property Name                        | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant | Score   |
| Cedar Court Ft. Smith- HOME Only     | 8/25/2025   | Meshawn Conner | 5              | 0              | 0                            | No Findings   |
| Courtyard Cottages of Jacksonville I | 8/25/2025   | Nedra Whitaker | 0              | 8              | 0                            | No Findings   |
| Savannah Park of Charleston I and II | 8/25/2025   | Nedra Whitaker | 10             | 0              | 0                            | No findings   |
| Ridge at Morrilton                   | 8/26/2025   | Meshawn Conner | 8              | 0              | 0                            | No Findings   |
| Garden Walk of Booneville            |             | Gabby Cruz     |                |                |                              |   |
| Inglewood Manor                      |             | Nedra Whitaker | 9              | 0              | 0                            | 4 41-50%<br>No Findings   |

-

| July - Sept. 2025 Compl               | iance Mo    | nitoring Acti  | vities         |                |                              | Score = Non Compliance   |
|---------------------------------------|-------------|----------------|----------------|----------------|------------------------------|--|
|                                       |             |                |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                         | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant | Score  |
|                                       |             |                |                |                |                              |  |
| Courtyard Cottages of Jacksonville II | 8/27/2025   | Nedra Whitaker | 0              | 8              | 0                            | No Findings  |
|                                       |             |                |                |                |                              |  |
| Stone Ridge of Morrilton              | 8/27/2025   | Meshawn Conner | 7              | 0              | 0                            | No Findings  |
| StoneBrook Park of Russellville       | 8/27/2025   | Gabby Cruz     | 7              | 0              | 0                            | No Findings  |
| Valley Estates of Clarksville I       | 8/28/2025   | Meshawn Conner | 8              | 0              | o                            | No Findings  |
|                                       |             |                |                |                |                              |  |
| Valley Estates of Clarksville II      | 8/28/2025   | Meshawn Conner | 10             | 0              | 0                            | No Findings  |
| Meadowview Estates                    | 8/28/2025   | Gabby Cruz     | 7              | 0              | 5                            | 5>50%  |
| Monthly Total Units / Total           |             |                |                |                |                              |  |
| Files                                 |             |                | 279            | 138            | 140                          |  |

| July - Sept. 2025 Com            | pliance Mo  | nitoring Act   | ivities        |                |                              | Score = Non Compliance  |
|----------------------------------|-------------|----------------|----------------|----------------|------------------------------|---|
|                                  |             |                |                |                |                              | No Findings<br>1 >0 - 15%<br>2 16 - 30%<br>3 31 - 40%<br>4 41 - 50%<br>5 51+% |
| Property Name                    | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |   |
|                                  |             |                |                |                |                              | 56010   |
| Millwood Place                   | 9/2/2025    | Nedra Whitaker | 10             | 0              | 5                            | 4 41-50%  |
|                                  |             |                |                |                |                              |   |
| Larkspur Gardens - REAC          | 9/2/2025    | Nedra Whitaker | 16             | 0              | 4                            | 2 16-30%  |
|                                  |             |                |                |                |                              |   |
| Garden Manor - REAC              | 9/3/2025    | Gabby Cruz     | 20             | 0              | 14                           | 5 5 >50%  |
|                                  |             |                |                |                |                              |   |
| Hickory Square -Stuttgart - REAC | 9/3/2025    | Meshawn Conner | 19             | 0              | 5                            | 2 16-30%  |
|                                  |             |                |                |                |                              |   |
| Eastview Terrace - REAC          | 9/3/2025    | Nedra Whitaker | 25             | 0              | 22                           | 5 >50%  |
|                                  |             |                |                |                |                              |   |
| Garden Walk of Gravette          | 9/3/2025    | Meshawn Conner | 0              | 6              | 6                            | 5 > 50%   |

| July - Sept. 2025 Com           | pliance Mo  | nitoring Act   | ivities        |                |                              | Score = Non Compliance   |
|---------------------------------|-------------|----------------|----------------|----------------|------------------------------|--|
|                                 |             |                |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                   | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant | Score  |
|                                 |             |                |                |                |                              |  |
| Lakewind Apartments - PRLF Only | 9/5/2025    | Gabby Cruz     | 0              | 6              | 5                            | 5 >50%   |
|                                 |             |                |                |                |                              |  |
| The Cottages at Conway I        | 9/8/2025    | Nedra Whitaker | 10             | 0              | 0                            | No Findings  |
|                                 |             |                |                |                |                              |  |
| The Cottages at Conway II       | 9/8/2025    | Nedra Whitaker | 7              | 0              | 0                            | No Findings  |
|                                 |             |                |                | 2              |                              |  |
| Stone Ridge at Conway I         | 9/8/2025    | Meshawn Conner | 8              | 0              | 0                            | No Findings  |
| Villas at Country Club I        | 9/9/2025    | Nedra Whitaker | 10             | 0              | 0                            | No Findings  |
|                                 |             |                |                |                | ,                            |  |
| HomeTowne at Conway             | 9/9/2025    | Gabby Cruz     | 10             | 0              | 8                            | 5 >50%   |

| July - Sept. 2025 Com                     | pliance Mo  | nitoring Act   |                |                | Score = Non Compliance       |  |
|---|-------------|----------------|----------------|----------------|------------------------------|--|
|   |             |                |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                             | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |  |
| Rock Ridge Pointe                         |             | Nedra Whitaker | 0              | 32             | 0                            |  |
| Villas at Country Club II                 | 0/10/2025   |                |                |                |                              |  |
| vinus ac country club ii                  | 9/10/2025   | Nedra Whitaker | 9              | 0              | 0                            | No Findings  |
| Peaks at Country Club NLR I               | 9/10/2025   | Meshawn Conner | 10             | 0              | 0                            | No Findings  |
| Peaks at Country Club NLR II              | 9/11/2025   | Meshawn Conner | 10             | 0              | 0                            | No Findings  |
| Peaks at Country Club NLR III             | 9/11/2025   | Nedra Whitaker | 8              | 0              | 0                            | No Findings  |
| Colony Square at Springdale Apartments II | 9/11/2025   | Meshawn Conner | 0              | 17             | 12                           | 5 >50%   |

| July - Sept. 2025 Comp                | oliance Mo  | nitoring Act   |                |                | Score = Non Compliance       |   |
|---------------------------------------|-------------|----------------|----------------|----------------|------------------------------|---|
|                                       |             |                |                |                |                              | No Findings<br>1 >0 - 15%<br>2 16 - 30%<br>3 31 - 40%<br>4 41 - 50%<br>5 51+% |
| Property Name                         | Review Date | Auditor        | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |   |
| River View Village                    |             |                |                |                |                              |   |
| Niver view village                    | 9/12/2025   | Gabby Cruz     | 0              | 6              | 1                            | 2 16-30%  |
| TimberRidge                           | 9/15/2025   | Nedra Whitaker | 0              | 7              | 0                            | No Findings   |
|                                       |             |                |                |                |                              |   |
| Garden Walk Elfen Glen II             | 9/16/2025   | Monica Smith   | 11             | 0              | 4                            | 3 31-40%  |
| Garden Walk on Elfen Glen I Van Buren | 0/45/2025   | Admin Smith    |                |                |                              |   |
| Sarden walk on Lifeti Glein van Bulen | 9/ 10/ 2023 | Monica Smith   | 15             | 0              | 9                            | 5 >50%  |
| StoneBrook Park of Van Buren II       | 9/17/2025   | Monica Smith   | 5              | 0              | 0                            | No Findings   |
| StoneBrook Park of Van Buren I        | 0/47/2025   | Monico Smith   |                |                |                              |   |
| Stolleblook Palk Of Vali Buleii i     | 9/1//2025   | Monica Smith   | 8              | 0              | 2                            | 2 16-30%  |

| July - Sept. 2025 Com            | pliance Mo  | nitoring Act     | ivities        |                |                              | Score = Non Compliance   |
|----------------------------------|-------------|------------------|----------------|----------------|------------------------------|--|
|                                  |             |                  |                |                |                              | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                    | Review Date | Auditor          | Units Reviewed | Files Reviewed | Units/Files<br>Non-Compliant |  |
| Electric Park Fort Smith         | 9/17/2025   | Monica Smith     |                |                |                              |  |
| Licetic Fark Fore Similar        | 9/17/2023   | IVIONICA SIMILIN | 12             | 0              | 3                            | 2 16-30%   |
| Pioneer Village                  | 9/18/2025   | Nedra Whitaker   | 0              | 8              | 0                            | No Findings  |
|                                  |             |                  |                |                |                              | The rindings   |
| Ridge at Fort Smith              | 9/18/2025   | Monica Smith     | 9              | 0              | 5                            | 5 >50%   |
|                                  |             |                  |                |                |                              |  |
| StoneBrook Park of Fort Smith    | 9/18/2025   | Monica Smith     | 8              | 0              | 1                            | 1 >0-15%   |
|                                  |             |                  |                |                |                              |  |
| North Pointe Fort Smith          | 9/18/2025   | Monica Smith     | 8              | 0              | 7                            | 5 >50%   |
|                                  |             |                  |                |                |                              |  |
| Quail Run Apartments - Home Only | 9/19/2025   | Monica Smith     | 5              | 0              | 1                            | 2 16-30%   |

| July - Sept. 2025 Comp              | oliance Mo  | nitoring Act     | ivities        |                |                           | Score = Non Compliance   |
|-------------------------------------|-------------|------------------|----------------|----------------|---------------------------|--|
|                                     |             |                  |                |                |                           | No Findings 1 >0 - 15% 2 16 - 30% 3 31 - 40% 4 41 - 50% 5 51+% |
| Property Name                       | Review Date | Auditor          | Units Reviewed | Files Reviewed | Units/Files Non-Compliant |  |
| Walnut Park Estates I               | 9/19/2025   | Catrina Ingram   | 5              | 0              |                           | 5 > 50%  |
| Walnut Park Estates II              | 9/19/2025   | Catrina Ingram   | 5              | 0              |                           |  |
|                                     | 3, 13, 2023 | Catilla Iligiani | 3              | 0              | 3                         | 5 > 50%  |
| Villas of West Memphis I            | 9/22/2025   | Nedra Whitaker   | 0              | 9              | 0                         | No Findings  |
| Cypress Grove Warren                | 9/23/2025   | Meshawn Conner   | 0              | 28             | 28                        | 5 >50%   |
| Monthly Total Units / Total Files   |             |                  | 263            | 119            | 150                       |  |
| Quarterly Total Units / Total Files |             |                  | 893            | 427            | 556                       |  |

# **TAB 14**

## ARKANSAS DEVELOPMENT FINANCE AUTHORITY ADFA BOARD - FINANCIAL REPORTING AND OPERATIONS COMMITTEE

JULY 17, 2025
DEPARTMENT OF COMMERCE, 1 COMMERCE WAY
CENTRAL HIGH/ OLD MILL MEETING ROOM
LITTLE ROCK, AR

ADFA Board Financial Reporting and Operations Committee Members Present: Andy Babbitt (Designee for Jim Hudson, Secretary, Department of Finance and Administration); Seth Mims; and Michael Harry (John Thurston, Treasurer, Office of Treasurer of State of Arkansas).

ADFA Board Financial Reporting and Operations Committee Members Via Phone or Video: Dr. Lee Lane.

ADFA Board Financial Reporting and Operations Committee Members Absent: George O'Connor, Committee Chair.

<u>ADFA Board Members Present</u> Carey Smith, Chairman; Rod Coleman; and Kirkley Thomas.

<u>ADFA Board Members Present Via Phone or Video:</u> Jon Chadwell; Stephanie Garner; Harold Perrin; and Denise Sweat.

<u>ADFA Board Members Absent:</u> Katelyn Martin; and Hugh McDonald, Cabinet Secretary of Department of Commerce.

ADFA Staff Present: Mark Conine, President, Arkansas Development Finance Authority; Robert "Ro" Arrington, Vice President, Homeownership and Public Finance; John Blackwell, Director of Tax Credits; Jake Bleed, General Counsel; Charles "Chuck" Cathey, Vice President, Development Finance; Kristy Cunningham, Chief Financial Officer; Mason Fecher, ADFA Intern; Sean Doolin, Assistant Controller; Tracy Green, Assistant Controller; Kimmy Helble, Executive Assistant to President and Capital Access Program Administrator; Amanda Hill, HOME Program Coordinator; Catrina Ingram, Assistant Compliance Manger; Hope Lewis, Controller; Derrick Rose, Director of Outreach and Communication; Tammy White, Compliance Manager; and Tony Williams, Director, Arkansas Student Loan Authority.

ADFA Staff Present Via Phone or Video: Jason Bays, HOME Program Coordinator; Alisa Green, HOME-ARP Program Specialist; Lanita Hastings, HOME Program Coordinator; Carol Leek, HOME Program Coordinator; Yedda Matthews, Senior Accountant; and Nick Sherwood, HOME-ARP Program Coordinator.

Others Present: Casey Kleinhenz, Community Development of NWA; Chris Tristis, Cubit Development Group; Nathan Joseph, Domera Development; Aaron Burkes, Northwest Arkansas National Airport (XNA); Ted Fellman and Cheryl Schluterman, Raymond James; Len Reeves, Ridgewood Consulting; Traci Williams, Rockwell Housing Solutions, LLC.; Glenda Dean and Ben Ridings, Simmons Bank; Leigh Ann Biernat, Stephens, Inc.; and Britton Jones, Winreaux Development.

Others Present VIA Phone or Video: Mehgan Cogan, Domera Development; Tom Stratman and Mike Williams, Midwest Housing Equity Group, Inc.; Gordon Wilbourn, Kutak Rock; Brian Burke, Northwest Arkansas National Airport (XNA); Blake Bumgardner and Amanda Raible, PDC Companies; Victoria Taylor, Project Finance Advisory Limited; Allyson Eberhart, Jason Ross, Teresa Webb, Providence Academy; Kristina Knight, RichSmith Development; Nona McVey, and Lornea Wells, The McVay Firm, PLLC; Matt Darst, Upward Housing Group; and Scott Rolfs, Ziegler.

<u>Call to Order:</u> Mr. Mims, Acting Committee Chair, called the Investment and Administration Committee meeting to order on Thursday, July 17, 2025, at approximately 11:29 AM.

<u>Minutes:</u> Mr. Mims presented the minutes of the April 17, 2025 Investment and Administration Committee meeting and asked if any committee member had comments or changes. Being none, Mr. Mims entertained a motion to approve of the minutes as presented.

Mr. Harry made a motion to approve the minutes.

Dr. Lane seconded the motion. The motion passed.

<u>Proposal: Change of Committee Name:</u> Ms. Cunningham stated that ADFA Staff had a discussion to change the name of the Investment and Administration Committee to a name that more accurately reflected what the committee was responsible for, and proposed the name be changed to Financial Reporting and Operations.

Mr. Mims made a motion to adopt the new name of the committee to Financial Reporting and Operations.

Mr. Harry seconded the motion. The motion passed.

<u>Proposal: Broker Dealer List through June 30, 2026:</u> Ms. Cunningham and Mr. Blackwell presented the Broker Dealer list of security dealers and brokers that were approved to buy bonds, or CDs from ADFA.

Mr. Blackwell stated that he performed a FINRA broker check to look for regulatory events. There were none. The list had not changed; it was the same as the year prior.

Mr. Blackwell sought the approval of the Board.

After a brief discussion, Mr. Mims entertained a motion to approve the Broker Dealer List through June 30, 2026, as presented.

Mr. Harry made a motion to approve.

Dr. Lane seconded the motion. The motion passed.

<u>Discussion: Budget Report - Fiscal Year 2025:</u> Ms. Cunningham stated the Budget Report for fiscal year 2025 with the period ending June 30, 2025, was for informational purposes only.

Mr. Smith asked Ms. Cunningham if there was anything unexpected, or anything of special interest. Ms. Cunningham stated it was business as usual and moving forward the report would look different because it will be expanded.

No action needed.

<u>Discussion: Operating Results and General Fund Review as of March 31, 2025:</u> Ms. Cunningham stated since the last quarter report there had been normal course of business, and no large fluctuations.

Ms. Cunningham noted that ADFA issued the Single Family 2025 Series A Bonds in April and that increase would be seen in the next quarter. The Single Family 2025 Series B would be closed on August 7th.

Ms. Cunningham continued there was an increase in the default management services on the student loan side; it is not a dollar value change, but a percentage change. Mr. Tony Williams' team was working with many schools and the borrowers to get them the counseling they need and to assist with the delinquency.

Mr. Williams added that as the Covid Payment Pause ended, we are providing default management services for 22 colleges, tracking those students, and providing counseling. As more goes into repayment, more will become delinquent, which has increased our fees. ASLA has been charging the schools to provide that service; costs are up on the provision of that service, the expenses are up, and the revenues are up. It's kind of a break-even program as we are not wanting to make money off of the schools, we want to cover our costs, but those costs have increased a lot as you can see the that in the percentages.

Mr. Williams stated that ASLA was seeing success a little more each month as they work with the 22 colleges; each month there are more delinquencies getting under control.

Ms. Cunnigham concluded the Down Payment Assistance (DPA) delinquency ratios were decreasing due to Loan Servicing's efforts in loan modifications.

Mr. Mims made a motion to accept the report as presented by Ms. Cunningham.

Mr. Harry seconded the motion. The motion passed.

**Adjournment:** Mr. Mims, Acting Committee Chair, concluded the Financial Reporting and Operations Committee at approximately 11:45 AM.

Minutes approved and signed on this 17th day of July, 2025.

Seth Mims, Acting Committee Chair

# **TAB 15**

#### ARKANSAS DEVELOPMENT FINANCE AUTHORITY

# OPERATING RESULTS AND GENERAL FUND REVIEW

As of June 30, 2025

Reported to the Board Financial Reporting & Operations Committee on Thursday, October 16, 2025

#### Arkansas Development Finance Authority Balance Sheet June 30, 2025 and 2024 (unaudited)

|  | June 30, 2024 | June 30, 2025 | Difference  | %       |   |
|--|---------------|---------------|-------------|---------|---|
| ASSETS:  |               |               |             |         |   |
| Cash and cash equivalents  | 335,766,917   | 377,392,900   | 41,625,983  | 11%     | Α |
| Accounts receivable  | 4,066,225     | 4,089,993     | 23,768      | 1%      |   |
| Accrued interest receivable  | 2,685,054     | 3,108,984     | 423,930     | 14%     |   |
| Accrued rent receivable  | 384,855       | 374,321       | (10,534)    | -3%     |   |
| Investments, at amortized cost                                     | 153,475,086   | 235,958,072   | 82,482,986  | 35%     | В |
| Loans receivable, net of allowance for loan losses of \$81,976,584 |               |               | -           |         |   |
| and \$80,265,118 at June 30, 2025 and 2024, respectively           | 385,133,533   | 399,094,370   | 13,960,837  | 3%      | C |
| Deferred charges   | 1,641,342     | 1,067,217     | (574,125)   | -54%    |   |
| Direct financing leases  | 131,438,700   | 121,782,453   | (9,656,247) | -8%     |   |
| Capitalized assets   | 2,120,522     | 2,080,185     | (40,337)    | -2%     |   |
| Other Assets   | 795,644       | 3,272,846     | 2,477,202   | 76%     |   |
| TOTAL ASSETS   | 1,017,507,878 | 1,148,221,341 | 130,713,463 | 11%     |   |
| ·  |               |               |             |         |   |
| LIABILITIES:   |               |               |             |         |   |
| Bonds and notes payable, net of unamortized discounts and premiums | 433,514,628   | 538,128,709   | 104,614,081 | 19%     | D |
| Lease Liability GASB 87  | 287,673       | -             | (287,673)   | #DIV/0! | _ |
| Accrued interest payable   | 1,885,380     | 4,498,776     | 2,613,396   | 58%     | D |
| Accounts payable   | 10,333,551    | 10,389,095    | 55,544      | 1%      |   |
| OPEB and pension liability   | 6,052,540     | 5,433,747     | (618,793)   | -11%    |   |
| Deposits against financing arrangements                            | 51,315,585    | 53,758,878    | 2,443,293   | 5%      |   |
| Total liabilities  | 503,389,357   | 612,209,205   | 108,819,848 | 18%     |   |
| FUND BALANCES:   | , ,           | ,,            | ,,-         |         |   |
| Restricted by bond resolution                                      |               |               |             |         |   |
| and programs   | 348,392,886   | 371,951,700   | 23,558,814  | 6%      |   |
| Invested in capital assets   | 2,120,522     | 2,080,185     | (40,337)    | -2%     |   |
| Unrestricted *   | 163,605,113   | 161,980,251   | (1,624,862) | -1%     |   |
| TOTAL LIABILITIES & FUND BALANCES                                  | 1,017,507,878 | 1,148,221,341 | 130,713,463 | 11%     |   |

<sup>\*</sup> Includes amounts designated by board for various programs.

#### Arkansas Development Finance Authority Balance Sheet June 30, 2025 and 2024 (unaudited)

- **A)** Increase is mainly related to Single Family program receiving a combined \$125 million in bond proceeds (par) in September 2024 and April 2025 net of investment and loan/lease activity. (See B) investment activity, C) loan/lease activity and D) bond activity).
- **B)** Increase is primarily due to \$114 million of Single Family mortgage-backed securities (MBS) purchases net of MBS remittances of \$8.7 million and General Fund and Bond Guaranty Fund programs investments maturing of \$22.8 million and mainly re-investing the funds in State Treasury Money Management Trust Fund.
- **C)** Increase is primarily related to loan fundings with HOME (\$13.4 mil), NHTF (\$3.9 mil), Student Loan (\$10.4 mil) and DPA (\$13.4 mil) programs net of principal repayments received on various loans/leases.
- **D)** Increase primarily related to Single Family bonds being issued of \$125 million during the year net of redemptions of \$26.5 million. See ADFA Bond and Note Summary Report. Page # 7.

#### Arkansas Development Finance Authority Statement of Revenue, Expenses and Change in Fund Balances For the years ending 2025 and 2024 (unaudited)

|  | June 30, 2024 | June 30, 2025 | Difference  | %       |   |
|--|---------------|---------------|-------------|---------|---|
| REVENUES:  |               |               |             |         |   |
| Interest income:   |               |               |             |         |   |
| Loans and direct leases  | 17,552,819    | 17,715,880    | 163,061     | 1%      |   |
| Investments  | 15,144,103    | 18,987,209    | 3,843,106   | 20%     | Z |
| Amortization of discounts and premiums on loans and investments, net | 32,565        | 29,111        | (3,454)     | -12%    |   |
| Financing fee income   | 5,703,217     | 6,024,468     | 321,251     | 5%      | Y |
| Total Interest Income  | 38,432,704    | 42,756,668    | 4,323,964   | 10%     |   |
| Federal Grants   | 18,725,425    | 18,420,164    | (305,261)   | -2%     |   |
| Rental Real Estate   | 271,302       | 265,142       | (6,160)     | -2%     |   |
| Default Management Services  | 124,072       | 271,689       | 147,617     | 54%     | X |
| Other income   | 10,934        | 55,909        | 44,975      | 80%     |   |
| TOTAL REVENUES   | 57,564,437    | 61,769,572    | 4,205,135   | 7%      |   |
| EXPENSES:  |               |               |             |         |   |
| Interest on bonds and notes:   |               |               |             |         |   |
| Current interest/accreted interest                                   | 14,641,612    | 18,386,484    | 3,744,872   | 20%     | W |
| Amortized (premium)/discount   | (3,613)       | (85,473)      | (81,860)    | 96%     | W |
| Provision for losses   | 2,607,457     | 2,674,729     | 67,272      | 3%      | V |
| Federal assistance payments  | 6,398,677     | 2,998,422     | (3,400,255) | -113%   | U |
| Loan Servicing and Other Contractual Services                        | 132,412       | 183,871       | 51,459      | 28%     |   |
| Default Management Services expense                                  | 86,554        | 302,836       | 216,282     | 71%     | X |
| Special Allowance  | 859           | -             | (859)       | #DIV/0! |   |
| Rental Real Estate expense   | 215,918       | 244,651       | 28,733      | 12%     |   |
| Salaries and benefits  | 4,320,799     | 5,183,974     | 863,175     | 17%     |   |
| Operations and maintenance   | 1,462,738     | 1,002,720     | (460,018)   | -46%    | T |
| Other  | 2,463,183     | 3,610,107     | 1,146,924   | 32%     | S |
| TOTAL EXPENSES   | 32,326,596    | 34,502,321    | 2,175,725   | 6%      |   |
| REVENUES OVER EXPENSES   | 25,237,841    | 27,267,251    | 2,029,410   | 7%      |   |
| Transfer (to) from other funds                                       | (4,292,025)   | (5,373,636)   | (1,081,611) | 20%     |   |
| REVENUES OVER EXPENSES   | 20,945,816    | 21,893,615    | 947,799     | 4%      |   |
| FUND BALANCES:   |               |               |             |         |   |
| Beginning of period  | 493,172,705   | 514,118,521   | 20,945,816  | 4%      |   |
| End of period  | 514,118,521   | 536,012,136   | 21,893,615  | 4%      |   |
| Net interest income  | 23,791,092    | 24,370,184    | 579,092     | 2%      | R |

## Arkansas Development Finance Authority Statement of Revenue, Expenses and Change in Fund Balances For the years ending 2025 and 2024 (unaudited)

- **Z)** Increase relates mainly to new Single Family mortgage-backed securities portfolio purchases of \$114 million during the current year. The majority of the investments are at coupon of 5.0% (\$61.0 million) and 5.375% (\$50.6 million) as of June 30, 2025 balances.
- Y) See Sources of Cash Report. See Page #8.
- **X)** Increases relate to student loan borrowers re-entering repayment status after the COVID payment pause and requiring payment counseling (paid by schools). ASLA has Default management contracts with 22 schools.
- W) Increase relates to the Single Family bond issues.
- V) See separate schedule for details on Provision for Loan Losses. Page #'s 11-13.
- **U)** Federal financial assistance expense fluctuates each year depending on type and amount of disbursement activity. The majority is related to Homeownership Assistance Fund program (HAF) in the prior year.
- T) Decrease mainly relates to the HAF administrative expenses declining as program winds down.
- S) Increase is primarily due to the Single Family bond issuance costs paid at time of closings.
- **R)** Attributable to net interest margin:

| Single Family programs              | \$<br>102,000   |
|-------------------------------------|-----------------|
| Federal Housing programs            | \$<br>(294,000) |
| Multi Family programs               | \$<br>(30,000)  |
| Bond Guaranty programs              | \$<br>50,000    |
| State Facility programs             | \$<br>32,000    |
| Other Economic Development programs | \$<br>(442,000) |
| Tobacco program                     | \$<br>-         |
| General Fund programs               | \$<br>1,243,000 |
| ASLA programs                       | \$<br>(82,000)  |

#### ARKANSAS VENTURE CAPITAL INVESTMENT TRUST FUND - COMPONENT UNIT BALANCE SHEET - UNAUDITED JUNE 30, 2025

|   | VCIT         | AIF          | Eliminations | Total      |
|---|--------------|--------------|--------------|------------|
| ASSETS:                                   |              |              |              |            |
| Cash and cash equivalents                 | 1,317,262    | 308          |              | 1,317,570  |
| Accounts receivable                       | -            | -            |              | -          |
| Accrued interest receivable               | -            | -            | -            | -          |
| Accrued rent receivable                   | -            | -            |              | -          |
| Investments, at amortized cost            | 17,254,554   | 3,722,926    |              | 20,977,480 |
| Loans receivable, at amortized            |              |              |              | -          |
| cost, net                                 | 4,700,003    | -            | -            | 4,700,003  |
| Real Estate Owned                         | -            | -            |              | -          |
| Deferred charges                          | -            | -            |              | -          |
| Direct Financing Leases                   | -            | -            |              | -          |
| Other Asset                               | <del></del>  | <del>-</del> |              | <u> </u>   |
| TOTAL ASSETS                              | 23,271,819   | 3,723,234    |              | 26,995,053 |
| LIABILITIES AND FUND BALANCES             |              |              |              |            |
| LIABILITIES                               |              |              |              |            |
| LIABILITIES: Bonds and notes payable, net |              |              |              |            |
| of unamortized discounts                  |              |              |              |            |
| and premiums                              |              | 1,658,021    |              | 1,658,021  |
| Accrued interest payable                  | -            | 9,098        | -            | 9,098      |
| Accounts payable                          | <u> </u>     | 5,515        | -            | 5,515      |
| OPEB and pension liabilities              | <u>-</u>     | -            |              | 3,313      |
| Deposits against                          | <u>_</u>     | _            |              | _          |
| financing arrangements                    | <del>-</del> | _            |              | _          |
| Total liabilities                         |              | 1,672,634    | <del>-</del> | 1,672,634  |
| FUND BALANCES:                            |              | .,,          |              | -,         |
| Restricted by bond resolution             |              |              |              |            |
| and programs                              | 23,271,819   | 2,050,600    |              | 25,322,419 |
| Invested in capital assets                | -            | -            |              |            |
| Unrestricted *                            | <del>-</del> | -            |              |            |
| TOTAL LIABILITIES AND FUND                |              |              |              |            |
| BALANCES                                  | 23,271,819   | 3,723,234    | -            | 26,995,053 |
|   |              |              |              |            |

#### ARKANSAS VENTURE CAPITAL INVESTMENT TRUST FUND - COMPONENT UNIT STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE FOR Period Ending June 30, 2025 - UNAUDITED

|   | 7/1/2024 - 6/30/2025<br>VCIT | 1/1/2025 - 6/30/2025<br>AIF * | Eliminations | Total                |
|---|------------------------------|-------------------------------|--------------|----------------------|
| REVENUES:   |                              |                               |              |                      |
| Interest income:<br>Loans and direct leases                     | 10,700                       | -                             | <u>-</u>     | 10,700               |
| Investments Amortization of discounts and premiums on loans and | (2,158,405)                  | 765,883                       | -            | (1,392,522) -        |
| investments, net  | _                            | _                             | _            | -                    |
| Financing fee income  | 21,775                       | <u> </u>                      | (21,775)     |                      |
| Total Interest Income   | (2,125,930)                  | 765,883                       | (21,775)     | (1,381,822)          |
| Federal financial assistance                                    | -                            | -                             |              | -                    |
| State financial assistance                                      | -                            | -                             |              | -                    |
| Other income  | -                            | <del>-</del> .                |              | -                    |
| TOTAL REVENUES  | (2,125,930)                  | 765,883                       | (21,775)     | (1,381,822)          |
| EXPENSES:   |                              |                               |              |                      |
| Interest on bonds and notes:                                    |                              |                               |              |                      |
| Current interest  | -                            | 32,077                        |              | 32,077               |
| Accreted interest  Total interest on bonds and notes            | -                            | 32,077                        | -            | 32,077               |
| Administrative expenses:  |                              |                               |              |                      |
| Salaries and benefits   |                              | -                             |              | -                    |
| Operations and maintenance<br>Other                             | 150,000                      | -<br>55,325                   |              | -<br>205,325         |
| TOTAL EXPENSES  | 150,000                      | 87,402                        | <u> </u>     | 237,402              |
| REVENUES OVER EXPENSES  | (2,275,930)                  | -<br>678,481                  | (21,775)     | (1,619,224)          |
| Transfer from other funds                                       | 4,360,000                    | <u> </u>                      |              | 4,360,000            |
| REVENUES OVER EXPENSES  | 2,084,070                    | 678,481                       | (21,775)     | 2,740,776            |
| FUND BALANCES:  |                              |                               |              |                      |
| Beginning of period   | 21,187,749                   | 1,402,449                     |              | 22,590,198           |
| Distributions to member   |                              | (30,331)                      | 21 775       | (30,331)             |
| Prior change in accounting period<br>End of Period              | 23,271,819                   | 2,050,600                     | 21,775       | 21,775<br>25,322,418 |
| Net interest income   | (2,125,930)                  | 733,806                       | (21,775)     | (1,413,899)          |

<sup>\*</sup> Note: Total is shown in order to capture information as of 6/30/2025. For audit purposes, the reporting period for AIF will be as of 12/31/2024.

\*\* Note: Investment income is reported based on estimated information at time of distribution. Actual may vary upon valuation of K-1s and other year end information.

#### **ADFA Bond and Note Summary**

Fiscal YTD Through: June 30, 2025

|                  | Issu    | uance    | Average<br>Yield | Op | otional Bond<br>Calls | Average<br>Yield | Scheduled edemptions | Average<br>Yield | Redemptions Refundings | Average<br>Yield | R  | Total<br>edemptions | let Issuance<br>Redemptions) |
|------------------|---------|----------|------------------|----|-----------------------|------------------|----------------------|------------------|------------------------|------------------|----|---------------------|------------------------------|
| Single Family    | \$ 125, | ,000,000 | 4.62%            | \$ | 1,350,000             | 3.41%            | \$<br>600,000        | 3.50%            | \$<br>_                | -                | \$ | 1,950,000           | \$<br>123,050,000            |
| PRLF             | \$      | -        | -                | \$ | _                     | -                | \$<br>141,663        | 1.00%            | \$<br>-                | -                | \$ | 141,664             | \$<br>(141,664)              |
| Multi-Family     | \$      | -        | -                | \$ | _                     | -                | \$<br>-              | -                | \$<br>-                | -                | \$ | -                   | \$<br>-                      |
| Bond Guaranty    | \$      | -        | -                | \$ | -                     | -                | \$<br>2,473,000      | 3.42%            | \$<br>2,107,000        | 3.91%            | \$ | 4,580,000           | \$<br>(4,580,000)            |
| State Facilities | \$      | -        | -                | \$ | _                     | -                | \$<br>14,887,595     | 3.19%            | \$<br>-                | -                | \$ | 14,887,595          | \$<br>(14,887,595)           |
| Tobacco          | \$      | -        | -                | \$ | _                     | -                | \$<br>4,965,103      | 4.87%            | \$<br>-                | -                | \$ | 4,965,103           | \$<br>(4,965,103)            |
| Amendment 82     | \$      | -        | -                | \$ | -                     | -                | \$<br>-              | -                | \$<br>-                | -                | \$ | -                   | \$<br>-                      |
| ASLA             | \$      | -        | -                | \$ | -                     | -                | \$<br>-              | -                | \$<br>-                | -                | \$ | -                   | \$<br>-                      |
| GF advances      | \$      | -        | -                | \$ | _                     | -                | \$<br>-              | -                | \$<br>-                | -                | \$ | -                   | \$<br>-                      |
|                  | \$ 125, | ,000,000 |                  | \$ | 1,350,000             |                  | \$<br>23,067,361     |                  | \$<br>2,107,000        |                  | \$ | 26,524,362          | \$<br>98,475,638             |

PRLF - Notes with US Department of Rural Housing Development (Preservation Revolving Loan Fund)

ASLA - Arkansas Student Loan Authority

#### Issuance during year:

|                          | Total | \$ | 125,000,000 |
|--------------------------|-------|----|-------------|
|                          | Takal | Ф. | 105 000 000 |
| 2025 A Single Family MBS |       | \$ | 75,000,000  |
| 2024 C Single Family MBS |       | \$ | 50,000,000  |

#### Full Redemptions/Refundings:

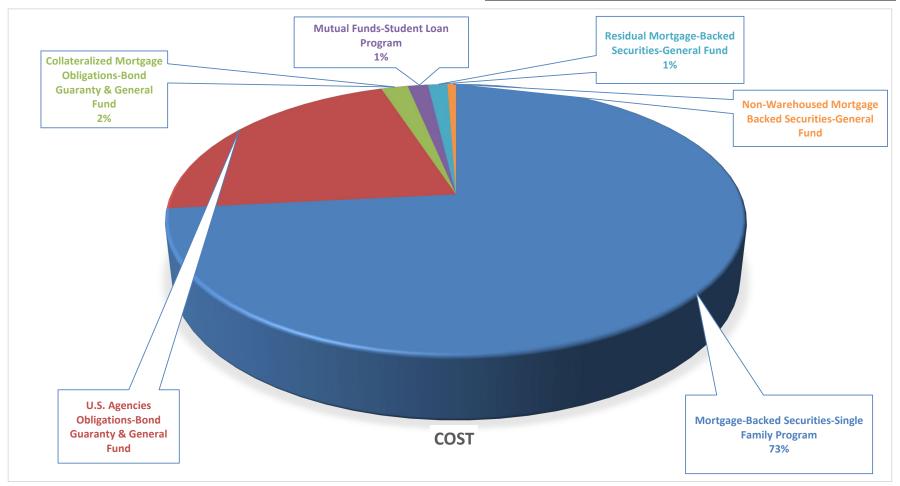
| Bond Guaranty:   |            |                 |
|------------------|------------|-----------------|
| 2015 Global Food | Group, Inc | \$<br>1,895,000 |
| 2019 Texas CLT   |            | \$<br>212,000   |
|                  | Total      | \$<br>2 107 00  |

#### Sources of Cash to Fund Operations and Other Cash Needs of the Authority

|   | Jun | ne 30, 2023 | Ju | ine 30, 2024 | Ju | June 30, 2025 |  |  |
|---|-----|-------------|----|--------------|----|---------------|--|--|
| Single Family Programs  Administrative fees                     | \$  | 70,096      | \$ | 61,427       | \$ | 68,303        |  |  |
| Mortgage credit certificate (MCC) fees                          | *   | 27,471      | *  | 450          | *  | -             |  |  |
| TBA Mortgage programs   |     | 2,387,614   |    | 2,436,698    |    | 2,107,309     |  |  |
| Multi Family Programs   |     |             |    |              |    |               |  |  |
| Tax credit and Multifamily issuance/administrative fees         |     | 680,413     |    | 1,082,283    |    | 1,898,957     |  |  |
| TCAP asset management fees                                      |     | 214,961     |    | 221,385      |    | 228,025       |  |  |
| AHAP administrative reimbursement                               |     | 4,143       |    | 2,350        |    | 1,828         |  |  |
| Federal Housing Programs  |     |             |    |              |    |               |  |  |
| HOME administrative reimbursement                               |     | 974,110     |    | 989,222      |    | 1,025,145     |  |  |
| NSP I and III administrative reimbursement                      |     | 16,254      |    | 12,328       |    | 10,965        |  |  |
| ESG administrative reimbursement                                |     | -           |    | -            |    | 12,098        |  |  |
| National Housing Trust Fund                                     |     | 147,598     |    | 174,362      |    | 205,485       |  |  |
| Homeownership Assistance Fund (HAF)                             |     | 61,753      |    | 23,725       |    | 3,359         |  |  |
| Public Finance/Economic Development Programs                    |     |             |    |              |    |               |  |  |
| Admin fees - State Facilities, Bond Guaranty & Conduit (limited | )   | 694,954     |    | 655,146      |    | 649,412       |  |  |
| Issuance fees - Conduit, State Facilities & Bond Guaranty       |     | 601,488     |    | 330,000      |    | 317,253       |  |  |
| General Fund  |     |             |    |              |    |               |  |  |
| Interest earnings (cash and investments)                        |     | 2,791,452   |    | 3,670,426    |    | 3,730,941     |  |  |
| Loan interest income  |     | 1,660,642   |    | 2,031,704    |    | 2,688,226     |  |  |
| Tobacco Bonds - administrative fees                             |     | 34,136      |    | 33,370       |    | 32,569        |  |  |
| Interagency Programs  |     |             |    |              |    |               |  |  |
| ANRC Water programs administrative/issuance fees                |     | 436,321     |    | 513,544      |    | 529,386       |  |  |
| College Tech Revolving Loan Program                             |     | 5,694       |    | 4,713        |    | 9,625         |  |  |
| E&E/AEO Loan Programs (LLR and RLLF)                            |     | 29,855      |    | 67,445       |    | 50,811        |  |  |
|   | \$  | 10,838,954  | \$ | 12,310,577   | \$ | 13,569,697    |  |  |

#### ADFA Investments Mix Cost vs. Market (in thousands) 6/30/2025

| Investment Types   | Cost          | % of Total | Marl | ket Value | % of Total | ealized<br>in/Loss |
|--|---------------|------------|------|-----------|------------|--------------------|
| Mortgage-Backed Securities-Single Family Program                 | \$<br>173,052 | 73.34%     | \$   | 170,720   | 74.13%     | \$<br>(2,332)      |
| U.S. Agencies Obligations-Bond Guaranty & General Fund           | \$<br>51,103  | 21.66%     | \$   | 48,543    | 21.08%     | \$<br>(2,561)      |
| Collateralized Mortgage Obligations-Bond Guaranty & General Fund | \$<br>4,212   | 1.79%      | \$   | 3,467     | 1.51%      | \$<br>(745)        |
| Mutual Funds-Student Loan Program                                | \$<br>3,181   | 1.35%      | \$   | 3,181     | 1.38%      | \$<br>-            |
| Residual Mortgage-Backed Securities-General Fund                 | \$<br>3,054   | 1.29%      | \$   | 3,115     | 1.35%      | \$<br>59           |
| Non-Warehoused Mortgage Backed Securities-General Fund           | \$<br>1,355   | 0.57%      | \$   | 1,267     | 0.55%      | \$<br>(88)         |
| Total Investments  | 235,958       | 100.00%    |      | 230,293   | 100.00%    | (3,334)            |



#### LOANS CHARGED OFF BY PROGRAM - DURING FISCAL YEAR 2025

| PROGRAM NAME | LOAN INFORMATION                  | <br>INAL LOAN<br>ALANCE | Т  | ANCE AT<br>IME OF<br>ARGE OFF | ARGE-OFF<br>MOUNT | 6/30/2025 RELATED<br>REO BALANCE |
|--------------|-----------------------------------|-------------------------|----|-------------------------------|-------------------|----------------------------------|
| НОМЕ         | Blytheville Apartments-Assignment | \$<br>907,800           | \$ | 727,570                       | \$<br>727,570     | \$ -                             |
| DPA LOANS    | Various borrowers                 | -                       | \$ | 233,472                       | \$<br>233,472     | \$ -                             |
|              | TOTAL                             |                         | \$ | 961,041                       | \$<br>961,041     | \$ -                             |

| Loan Loss Reserves (\$ in thousands)   |          |                             |                             |                             |
|--|----------|-----------------------------|-----------------------------|-----------------------------|
| Delever Objects  |          | June 30, 2025               | June 30, 2024               | June 30, 2023               |
| Balance Sheet:   |          |                             |                             |                             |
| Federal Housing Programs HOME Loans Receivable Loan Loss Reserve % Reserve to Receivable | \$<br>\$ | 137,483<br>38,745<br>28.18% | 113,094<br>34,210<br>30.25% | 107,859<br>35,225<br>32.66% |
| TCAP Loans Receivable*<br>Loan Loss Reserve<br>% Reserve to Receivable                   | \$<br>\$ | 16,429<br>16,133<br>98.20%  | 16,511<br>16,202<br>98.13%  | 16,658<br>16,337<br>98.07%  |
| NSP Loans Receivable**<br>Loan Loss Reserve<br>% Reserve to Receivable                   | \$<br>\$ | 0<br>0<br>0.00%             | 13,855<br>4,194<br>30.27%   | 14,345<br>4,330<br>30.18%   |
| NSP 3 Loans Receivable**<br>Loan Loss Reserve<br>% Reserve to Receivable                 | \$<br>\$ | 0<br>0<br>0.00%             | 3,642<br>546<br>14.99%      | 3,763<br>564<br>14.99%      |
| PRLF Loans Receivable<br>Loan Loss Reserve<br>% Reserve to Receivable                    | \$<br>\$ | 3,090<br>265<br>8.58%       | 3,206<br>274<br>8.55%       | 3,320<br>282<br>8.49%       |
| CDBG Loans Receivable<br>Loan Loss Reserve<br>% Reserve to Receivable                    | \$<br>\$ | 7,700<br>7,700<br>100.00%   | 7,700<br>7,700<br>100.00%   | 7,700<br>7,700<br>100.00%   |
| NHTF Loans Receivable<br>Loan Loss Reserve<br>% Reserve to Receivable                    | \$<br>\$ | 18,109<br>9,255<br>51.11%   | 14,207<br>7,860<br>55.32%   | 5,967<br>5,052<br>84.67%    |
| Multi-Family FAF/NBMIR Loans Receivable Loan Loss Reserve % Reserve to Receivable        | \$<br>\$ | 5,152<br>2,711<br>52.62%    | 5,353<br>2,775<br>51.84%    | 5,621<br>2,851<br>50.72%    |
| Affordable Hsg/fka DHS Assist Loans Rec<br>Loan Loss Reserve<br>% Reserve to Receivable  | \$<br>\$ | 860<br>143<br>16.63%        | 909<br>142<br>15.62%        | 827<br>139<br>16.81%        |

<sup>\*</sup> Tax Credit Assistance Program (TCAP) - surplus cash loans reserved 100%.
\*\* These loans were moved to the HOME program during the year.

| Loan Loss Reserves (\$ in thousands)   |          |                          |                              |                          |
|--|----------|--------------------------|------------------------------|--------------------------|
|  |          | June 30, 2025            | June 30, 2024                | June 30, 2023            |
| Balance Sheet (continued):   |          |                          |                              |                          |
| Bond Guaranty Bond Guaranty Loans Receivable Loan Loss Reserve % Reserve to Receivable               | \$       | 20,409<br>1,982<br>9.71% | 25,203<br>2,250<br>8.93%     | 28,229<br>2,136<br>7.57% |
| Other Economic Development Programs SSBCI Loans Receivable Loan Loss Reserve % Reserve to Receivable | \$<br>\$ | 2,290<br>604<br>26.38%   | 898<br>560<br><b>62.36</b> % | 1,053<br>587<br>55.75%   |
| General Fund Direct Loans Loan Loss Reserve % Reserve to Receivable                                  | \$<br>\$ | 7,251<br>354<br>4.88%    | 10,550<br>396<br>3.75%       | 11,120<br>412<br>3.71%   |
| Downpayment Assistance Loans<br>Loan Loss Reserve<br>% Reserve to Receivable                         | \$<br>\$ | 42,077<br>2,104<br>5.00% | 35,966<br>1,798<br>5.00%     | 28,700<br>1,434<br>5.00% |
| Tourism Loans<br>Loan Loss Reserve<br>% Reserve to Receivable  | \$<br>\$ | 109<br>3<br>2.75%        | 117<br>4<br>3.42%            | 126<br>4<br>3.17%        |
| RECDS Loans Receivable<br>Loan Loss Reserve<br>% Reserve to Receivable                               | \$<br>\$ | 0<br>-<br>0.00%          | 102<br>-<br>0.75%            | 104<br>-<br>0.75%        |
| Settlement Fund Loans<br>Loan Loss Reserve<br>% Reserve to Receivable                                | \$<br>\$ | 3,495<br>664<br>19.00%   | 3,667<br>676<br>18.43%       | 3,839<br>728<br>18.96%   |
| Student Loan Student Loans Loan Loss Reserve % Reserve to Receivable                                 | \$       | 19,177<br>1,315<br>6.86% | 10,103<br>680<br>6.73%       | 4,949<br>318<br>6.43%    |

| Loan Loss Reserves (\$ in thousands) |    |              |               |               |
|--------------------------------------|----|--------------|---------------|---------------|
|                                      | Jı | ıne 30, 2025 | June 30, 2024 | June 30, 2023 |
| Income Statement:                    |    |              |               |               |
| Provisions for Loan Loss by Program: |    |              |               |               |
| HOME                                 | \$ | 596          | (715)         | (1,843)       |
| TCAP                                 |    | (69)         | (135)         | (93)          |
| NSP                                  |    | (74)         | (154)         | 629           |
| NSP3                                 |    | -            | -             | -             |
| PRLF                                 |    | (8)          | (8)           | (51)          |
| CDBG                                 |    | -            | -             | -             |
| NHTF                                 |    | 1,394        | 2,808         | 229           |
| FAF/NBMIR Loans                      |    | (65)         | (40)          | (229)         |
| Affordable Hsg Assist Program        |    | 1            | 2             | (5)           |
| Bond Guaranty                        |    | (273)        | 110           | (71)          |
| Other ED - SSBCI                     |    | 44           | (28)          | (14)          |
| Direct Loans                         |    | (42)         | (16)          | (183)         |
| Tourism Loans                        |    | -            | -             | 4             |
| RECDS                                |    | -            | -             | -             |
| Downpayment Assistance Loans         |    | 530          | 475           | 370           |
| Settlement Fund Loans                |    | (11)         | (53)          | (14)          |
| Student Loan                         |    | 652          | 362           | (58)          |
|                                      | \$ | 2,675        | 2,608         | (1,329)       |

### ARKANSAS DEVELOPMENT FINANCE AUTHORITY DELINQUENCY AND OTHER REAL ESTATE SUMMARY OF ADFA SERVICED LOANS

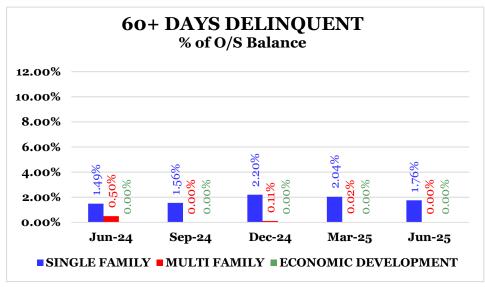
|   | June-20         |                | June-           | 2025           | Differ          | ence         |
|---|-----------------|----------------|-----------------|----------------|-----------------|--------------|
|   | Total           | Total          | Total           | Total          | Total           | Total        |
| Program                                       | Delinquent Loan | Program Loan   | Delinquent Loan | Program Loan   | Delinquent Loan | Program Loan |
| Name  | Balance         | Balance        | Balance         | Balance        | Balance         | Balance      |
| Rural Housing Multifamily                     | 0               | 861,409        | 0               | 802,804        | 0               | (58,605)     |
| Tax Credit Assistance Program (TCAP)          | 0               | 16,510,551     | 0               | 16,429,179     | 0               | (81,372)     |
| Guaranteed ED                                 | 3,242,840       | 23,502,837     | 3,467,320       | 18,611,792     | 224,480         | (4,891,045)  |
| Assisted Living Revolving Fund (ALIF)         | 25,601          | 909,351        | 23,839          | 860,262        | (1,761)         | (49,089)     |
| CDBG  | 0               | 7,700,000      | 0               | 7,700,000      | 0               | 0            |
| PRLF  | 0               | 3,206,092      | 0               | 3,089,688      | 0               | (116,404)    |
| National Housing Trust Fund                   | 0               | 14,206,548     | 1,125,000       | 18,109,135     | 1,125,000       | 3,902,587    |
| SSBCI   | 0               | 919,391        | 459,310         | 2,311,450      | 459,310         | 1,392,059    |
| Settlement Funds Repayable Loans (SH)         | 231,387         | 3,579,908      | 208,441         | 3,417,100      | (22,946)        | (162,808)    |
| Habitat for Humanity - Saline County          | 0               | 91,598         | 0               | 82,007         | 0               | (9,591)      |
| FAF/BMIR                                      | 406,296         | 5,401,870      | 375,685         | 5,201,477      | (30,611)        | (200,394)    |
| CTC (College Tech)                            | 0               | 4,712,601      | 0               | 6,724,830      | 0               | 2,012,229    |
| DPA ( Repurchased)                            | 11,254          | 11,254         | 11,254          | 11,254         | 0               | 0            |
| Habitat for Humanity- Pulaski County          | 0               | 113,619        | 0               | 103,119        | 0               | (10,500)     |
| Project Fund (Direct Loans) Housing           | 0               | 135,810        | 70,770          | 884,693        | 70,770          | 748,883      |
| Project Fund (Direct Loans) Economic Developm | € 0             | 10,425,349     | 458,866         | 6,156,036      | 458,866         | (4,269,313)  |
| RECDS/SF First Mortgage                       | 101,490         | 101,602        | 0               | 221,984        | (101,490)       | 120,382      |
| Tourism Reserve Fund                          | 0               | 117,356        | 0               | 109,311        | 0               | (8,045)      |
| Bond Guaranty Fund                            | 1,210,095       | 1,809,678      | 1,294,079       | 1,807,774      | 83,984          | (1,904)      |
| HOME  | 6,960,253       | 113,766,007    | 7,541,268       | 138,155,098    | 581,014         | 24,389,091   |
| Neighborhood Stabilization (NSP)              | 1,751,424       | 13,854,520     | 0               | 0              | (1,751,424)     | (13,854,520) |
| Neighborhood Stabilization (NSP)III           | 0               | 3,641,667      | 0               | 0              | 0               | (3,641,667)  |
| Mastered Serviced - Multi-Family              | 0               | 1,903,517      | 0               | 1,786,002      | 0               | (117,515)    |
| Mastered Serviced - Single Family             | 9,852           | 83,492         | 0               | 77,740         | (9,852)         | (5,752)      |
| TOTAL   | \$ 13,950,493   | \$ 227,566,028 | \$ 15,035,831   | \$ 232,652,734 | \$ 1,085,339    | \$ 5,086,706 |

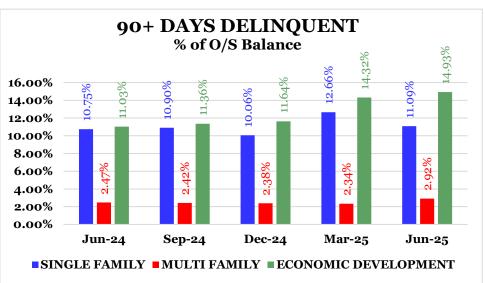
| OTHER REAL ESTATE OWNED      |   |    |                             |  |  |  |  |  |
|------------------------------|---|----|-----------------------------|--|--|--|--|--|
| Program                      | Property Name                             |    | Value                       |  |  |  |  |  |
| HOME                         |   | \$ |                             |  |  |  |  |  |
|                              | FINANCED LEASES OF REO                    |    |                             |  |  |  |  |  |
| HOME / TCAP / Exchange       | U of A - Rich Mountain (The Oaks of Mena) | \$ | 1,043,86<br><b>1,043,86</b> |  |  |  |  |  |
| I                            | N SUBSTANCE FORECLOSURES                  |    |                             |  |  |  |  |  |
| PROJECT FUND ( DIRECT LOAN ) |   | \$ | -                           |  |  |  |  |  |

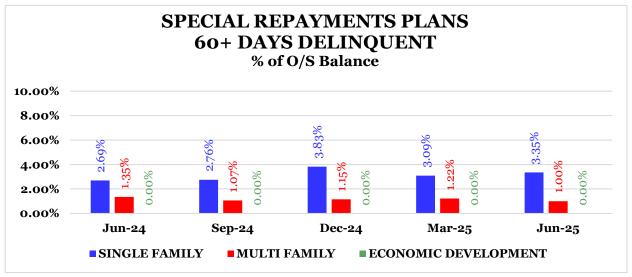
## DELINQUENCY REPORT PRESENTED TO THE BOARD OF DIRECTORS FOR JUNE 2025

#### ADFA AND VENDOR SERVICED LOANS

**DELINQUENCY REPORT (AS A % OF OUTSTANDING LOAN BALANCES)** 







A loan is considered 90 days delinquent when it has three or more payments past due and it is not involved any special repayment agreements. The "90 days delinquent" chart reflects any loan that is 90 or more days delinquent. A loan balance will be included in the "Special Repayment Plan" chart when it is at least 60 days delinquent and the borrower and ADFA have reached a specific agreement to spread a delinquency over time in order to bring the loan current. If the agreement is kept, the loan will appear in the Special Repayment Plan numbers until it is less than 60 days delinquent.

## ARKANSAS DEVELOPMENT FINANCE AUTHORITY GENERAL FUND DPA LOANS LOAN SERVICING REPORT as of 06/30/2025

|                           | DELINQUENT BALANCES |               |    |               |    |               |           |               |  |
|---------------------------|---------------------|---------------|----|---------------|----|---------------|-----------|---------------|--|
|                           |                     | 9/30/2024     |    | 12/31/2024    |    | 3/31/2025     | 6/30/2025 |               |  |
| 30 DAYS                   | \$                  | 1,907,160.18  | \$ | 1,878,445.71  | \$ | 1,866,518.70  | \$        | 1,948,508.36  |  |
| % DELINQUENT              |                     | 4.98%         |    | 4.66%         |    | 4.54%         |           | 4.63%         |  |
|                           |                     |               |    |               |    |               |           |               |  |
| 60 DAYS                   | \$                  | 619,719.31    | \$ | 756,884.41    | \$ | 617,640.74    | \$        | 644,785.40    |  |
| % DELINQUENT              |                     | 1.62%         |    | 1.88%         |    | 1.50%         |           | 1.53%         |  |
|                           |                     |               |    |               |    |               |           |               |  |
| 90 DAYS                   | \$                  | 194,475.56    | \$ | 395,794.38    | \$ | 189,216.97    | \$        | 316,954.20    |  |
| % DELINQUENT              |                     | 0.51%         |    | 0.98%         |    | 0.46%         |           | 0.75%         |  |
|                           |                     |               |    |               |    |               |           |               |  |
| 120 + DAYS                | \$                  | 1,190,711.79  | \$ | 1,394,493.46  | \$ | 1,128,752.87  | \$        | 1,380,458.91  |  |
| % DELINQUENT              |                     | 3.11%         |    | 3.46%         |    | 2.75%         |           | 3.28%         |  |
|                           |                     |               |    |               |    |               |           |               |  |
| TOTAL DELINQUENT          | \$                  | 3,912,066.84  | \$ | 4,425,617.96  | \$ | 3,802,129.28  | \$        | 4,290,706.87  |  |
| TOTAL PRINCIPAL           | \$                  | 38,277,683.42 | \$ | 40,269,018.82 | \$ | 41,073,624.51 | \$        | 42,071,259.90 |  |
| <b>TOTAL % DELINQUENT</b> |                     | 10.22%        |    | 10.99%        |    | 9.26%         |           | 10.20%        |  |

|                                    | Int | erest Receipts | Write-offs       | Interest Yield | Interest, Net of<br>Write-offs |
|------------------------------------|-----|----------------|------------------|----------------|--------------------------------|
| FISCAL YEAR ENDED<br>JUNE 30, 2025 | \$  | 2,090,450.11   | \$<br>227,410.84 | 5.29%          | 4.72%                          |
| YEAR ENDED JUNE 30, 2024           | \$  | 1,528,102.08   | \$<br>119,630.64 | 4.68%          | 4.31%                          |
| YEAR ENDED JUNE 30, 2023           | \$  | 980,259.82     | \$<br>74,399.93  | 3.82%          | 3.52%                          |
| YEAR ENDED JUNE 30, 2022           | \$  | 642,692.45     | \$<br>101,954.01 | 3.27%          | 2.74%                          |
| 3-YEAR AVERAGE                     | \$  | 1,050,351.45   | \$<br>98,661.53  | 3.92%          | 3.52%                          |

