

SOUTHSIDE PUBLIC WATER AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022



SOUTHSIDE PUBLIC WATER AUTHORITY
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Southside Public Water Authority
Batesville, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Southside Public Water Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southside Public Water Authority as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southside Public Water 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southside Public Water 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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southside Public Water 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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Southside Public Water Authority's financial statements. The Statement of Revenue, Expenses, and Changes in Net Position – By Fund is presented for the purpose of additional analysis and is not a required part of the financial statements. This statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenue, Expenses, and Changes in Net Position – By Fund is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the Southside Public Water 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 the Southside Public Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southside Public Water Authority's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 26, 2024

FINANCIAL STATEMENTS

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 477,498	\$ 418,015
Restricted cash and cash equivalents	1,316,456	3,814,049
Investments	1,095,062	920,499
Accounts receivable, net of allowance for doubtful accounts	352,448	314,549
Lease receivable, current	39,009	36,612
Inventory	374,370	314,166
Prepaid insurance	89,242	106,732
Other assets	593	593
Total Current Assets	3,744,678	5,925,215
Noncurrent Assets		
Long-term lease receivable	433,616	472,625
Investments	112,513	212,653
Restricted investments	246,788	233,449
Capital Assets		
Land	204,711	204,711
Building and improvements	733,887	733,887
Water system	13,130,040	12,949,213
Sewer system	11,143,206	8,629,696
Trucks and equipment	2,153,660	1,907,348
Construction in process	-	101,679
Total	27,365,504	24,526,534
Less accumulated depreciation	12,391,162	11,771,693
Net Capital Assets	14,974,342	12,754,841
Total Noncurrent Assets	15,767,259	13,673,568
Total Assets	\$ 19,511,937	\$ 19,598,783

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Liabilities		
Current Liabilities		
Accounts payable	\$ 115,553	\$ 61,455
Payroll taxes payable	3,058	2,824
Accrued compensated absences	26,702	25,332
Sales tax payable	7,145	6,077
Accrued interest	151,592	154,022
Customer deposits	348,532	327,776
Current portion of long-term debt	395,000	385,000
Total Current Liabilities	1,047,582	962,486
Noncurrent Liabilities:		
Long-term debt, net of unamortized bond discounts	14,798,193	15,186,436
Total Noncurrent Liabilities	14,798,193	15,186,436
Total Liabilities	15,845,775	16,148,922
Deferred Inflows of Resources		
Deferred inflows of resources related to leases	441,249	486,065
Total Deferred Inflows of Resources	441,249	486,065
Net Position		
Net investment in capital assets	505,041	495,828
Restricted	253,277	253,277
Unrestricted	2,466,595	2,214,691
Total Net Position	3,224,913	2,963,796
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,511,937	\$ 19,598,783

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Operating Revenue		
Water sales, net of bad debts	\$ 2,928,616	\$ 2,622,458
Wastewater revenue	664,946	565,949
Total Operating Revenue	3,604,540	3,188,829
Operating Expenses		
Advertising	841	969
Bank charges	4,336	4,566
Chemicals and supplies	182,574	122,992
Contract labor	14,532	24,686
Department of Health fees	19,117	18,948
Depreciation	619,469	580,961
Dues, meetings and travel	41,422	31,537
Employee benefits	208,651	171,974
Insurance	81,986	77,184
Land lease/easement	4,100	4,140
Material and repairs	426,020	318,957
Miscellaneous expenses	1,986	-
Office supplies and postage	73,106	66,799
Payroll taxes	69,567	62,150
Professional fees	47,606	36,920
Salaries and wages	917,120	816,970
Shop tools and supplies	44,495	57,450
Sludge removal	20,087	14,114
Tank maintenance	96,606	86,615
Telephone	29,715	27,479
Truck and backhoe expense	80,030	95,473
Utilities	203,334	207,236
Total Operating Expenses	3,186,700	2,828,120
Net Income From Operations	417,840	360,709
Other Income (Expenses)		
Interest and dividend income, net	56,026	69,699
Lease interest income	20,351	21,800
Rent income	47,713	47,706
Insurance recoveries	16,474	7,165
Realized and unrealized gains on investments	165,461	(405,411)
Interest expense	(462,748)	(472,664)
Total Other Income (Expenses)	(156,723)	(731,705)
Change in Net Position	261,117	(370,996)
Net Position at Beginning of Year	2,963,796	3,334,792
Net Position at End of Year	\$ 3,224,913	\$ 2,963,796

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 3,588,465	\$ 3,169,666
Cash payments to suppliers for goods and services	(1,638,493)	(1,536,302)
Cash payments to employees for services	(915,750)	(815,436)
Net Cash Provided By Operating Activities	1,034,222	817,928
Cash Flows From Non-Capital and Related Financing Activities		
Rental income received	59,860	58,574
Insurance proceeds	16,474	7,165
Net Cash Provided By Non-Capital and Related Financing Activities	76,334	65,739
Cash Flows From Capital and Related Financing Activities		
Cash paid for property, plant, and equipment	(2,838,970)	(269,342)
Repayment of debt	(385,000)	(380,000)
Interest paid on debt	(458,421)	(465,269)
Net Cash Used In Capital and Related Financing Activities	(3,682,391)	(1,114,611)
Cash Flows From Investing Activities		
Net investment sales (purchases)	77,699	531,459
Interest received	56,026	69,699
Net Cash Provided By Investing Activities	133,725	601,158
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	(2,438,110)	370,214
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	4,232,064	3,861,850
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 1,793,954	\$ 4,232,064
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 477,498	\$ 418,015
Restricted cash and cash equivalents	1,316,456	3,814,049
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,793,954	\$ 4,232,064

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Reconciliation Of Operating Income To Net Cash		
Provided By Operating Activities		
Net Income from operations	\$ 417,840	\$ 360,709
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	619,469	580,961
(Increase) decrease in:		
Accounts receivable	(37,899)	(32,338)
Prepaid insurance	17,490	2,815
Inventory	(60,204)	(59,253)
Increase (decrease) in:		
Accounts payable	54,098	(48,806)
Payroll taxes payable	234	107
Accrued benefits	-	(976)
Accrued compensated absences	1,370	1,534
Sales tax payable	1,068	(8,785)
Customer deposits	20,756	21,960
Net Cash Provided By Operating Activities	\$ 1,034,222	\$ 817,928

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Operations

Southside Public Water Authority (the "Authority") was originally organized as a non-profit organization in 1966 under the laws of the State of Arkansas, as Southside Water Association. Effective September 4, 2001, the Southside Water Association, pursuant to Act 115 of 2001 was reconstituted as the governmental entity Southside Public Water Authority. The Authority was formed to operate and provide rural water and wastewater services. They serve approximately 4,000 active metered water user, and approximately 1,000 wastewater customers.

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Financial Reporting

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

Income Tax Status

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

Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water and wastewater fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Authority does not charge interest on overdue accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated collectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information and was \$36,047 and \$30,887 at December 31, 2023 and 2022, respectively.

Leases Receivable

The Authority determines if an arrangement contains a lease at the inception of a contract. The Authority recognizes a lease receivable and a deferred inflows of resources at the present value of the fixed payments expected to be received during the lease term. The lease receivable balance is subsequently reduced for the principal portion of rental payments received. The deferred inflows of resources is recognized as revenue evenly over the life of the lease term. The Authority uses its incremental borrowing rate as the discount rate for leases.

Leases with a term or twelve months or less are not reflected on the statement of Net Position. Rental payments received are recognized on a straight-line basis over the lease term.

The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable and/or deferred inflows of resources.

Inventory

Inventories consist of miscellaneous parts, accessories, and pipe and are stated at the lower of cost or market using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year in which services are consumed.

Capital Assets and Depreciation

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

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation (continued)

Building and improvements	5 - 40 years
Water system	5 - 40 years
Sewer system	5 - 50 years
Trucks and equipment	5 - 10 years

It is the Authority's policy to capitalize all asset purchases equal to or greater than \$5,000. It is the Authority's policy to expense all asset purchases under \$5,000.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Authority. Employees can carryforward unused sick and vacation days from year to year. Upon termination from the Authority, employees are paid their accumulated unused vacation. No unused sick days are paid upon termination. At December 31, 2023 and 2022, the Authority had \$26,702 and \$25,333, respectively, accrued for compensated absences.

Customer Meter Deposits

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

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority recognizes deferred inflows of resources related to leases.

Net Position

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

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

The Authority does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Authority personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The Authority's restricted net position are those resources necessary to comply with various covenants of bond financing agreements.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority consist of water, treatment and distribution services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the Authority's fiscal year.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

These pronouncements did not have any impact on the Authority's financial statements.

2. Deposits with Financial Institutions

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

The Authority does not have a deposit policy, but follows the provisions of state law and bond ordinances regarding deposits of public funds.

Custodial credit risk is the risk that in the event of a bank failure, a Authority's deposits may not be recovered. At December 31, 2023 and 2022, all of the Authority's deposits were insured and/or collateralized with pledged securities or through an insured cash sweep program. The bank balances and carrying amount of the Authority's deposits held were as follows:

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 1,860,223	\$ 1,793,794	\$ 4,432,833	\$ 4,231,904
Cash on hand	-	160	-	160
Total cash and cash equivalents	\$ 1,860,223	\$ 1,793,954	\$ 4,432,833	\$ 4,232,064

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Deposits as reported in the following statement of net position captions:

As Of December 31,	2023	2022
Current Assets		
Cash and cash equivalents	\$ 477,498	\$ 418,015
Restricted checking and savings accounts	1,316,456	3,814,049
Total	\$ 1,793,954	\$ 4,232,064

Investments

The Authority does not have a formal investment policy, but has an investment consultant that advises on investment decisions and strategy. The Authority is required, but does not follow state laws and bond ordinances regarding the investment of public funds.

The investments of the Authority consist of the following:

As of December 31,	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 129,088	\$ 129,088	\$ 280,563	\$ 280,563
Corporate Bonds	101,424	112,513	101,512	106,796
Mutual Funds	750,641	1,035,831	743,944	873,385
Exchange-Traded Products (ETP)	177,581	176,931	-	-
Single Premium Deferred Annuity	-	-	100,000	105,857
Total	\$ 1,158,734	\$ 1,454,363	\$ 1,226,019	\$ 1,366,601

Investments as reported in the following statement of net position captions:

As Of December 31,	2023	2022
Current Assets:		
Investments	\$ 1,095,062	\$ 920,499
Noncurrent Assets:		
Investments	112,513	212,653
Restricted investments	246,788	233,449
Total	\$ 1,454,363	\$ 1,366,601

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Authority minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Interest Rate Risk (continued)

The following represents the timing of maturity of the Authority's investments:

Type of Investment	Fair Value	Less than 1	1 - 5 Years	6 - 10 Years	More than 10
Bonds	\$ 112,513	\$ -	\$ -	\$ -	\$ 112,513
Mutual Funds	1,035,831	1,035,831	-	-	-
ETP	176,931	176,931	-	-	-
Total	\$ 1,325,275	\$ 1,212,762	\$ -	\$ -	\$ 112,513

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investments subject to credit risk have the following Moody's ratings:

Type of Investment	Not Rated	Baa1	Baa2
Bonds	\$ -	\$ 59,172	\$ 53,341
Mutual Funds	1,035,831	-	-
ETP	176,931	-	-
Total	\$ 1,212,762	\$ 59,172	\$ 53,341

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party.

The Authority maintains accounts with stock brokerage firms that contain cash, securities and other investments. The balances are insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000 per customer, including up to \$250,000 for cash. Additional brokerage insurance, in addition to SIPC protection, is provided through other insurance underwriters for eligible securities up to \$1 billion through February 10, 2025. SIPC and the excess of SIPC coverage does not protect against market losses on investments. The Authority has \$1,454,363 and \$1,260,744 invested in these accounts at December 31, 2023 and 2022, respectively.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investments are concentrated as follows:

As of December 31,	2023		2022	
	Fair Value	%	Fair Value	%
Cash	\$ 129,088	\$ 8.88%	\$ 280,563	\$ 20.53%
Corporate Bonds	112,513	7.74%	106,796	7.81%
Mutual Funds	1,035,831	71.22%	873,385	63.91%
Exchange-Traded Products (ETP)	176,931	12.17%	-	0.00%
Single Premium Deferred Annuity	-	0.00%	105,857	7.75%
Total	\$ 1,454,363	\$ 100.00%	\$ 1,366,601	\$ 100.00%

Fair Value Measurement

The Authority's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the Authority's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ 112,513	\$ -	\$ -	\$ 112,513
Mutual Funds	1,035,831	-	-	1,035,831
Exchange-Traded Products	176,931	-	-	176,931
Total	\$ 1,325,275	\$ -	\$ -	\$ 1,325,275

The value of the Authority's investments is provided by the brokerage firm who obtains prices from independent vendor services.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Restricted Assets

Restricted accounts consists of the following:

As Of December 31,	2023	2022
Checking accounts:		
Water Meter Deposits	\$ 64,087	\$ 58,320
Wastewater System Deposits	37,657	36,007
Bond Fund	490,820	407,299
Construction and Improvement Fund	723,892	3,312,423
Total Restricted Cash	1,316,456	3,814,049
Investments:		
Water Meter Deposits	246,788	233,449
Total Restricted Investments	246,788	233,449
Total Restricted Cash and Investments	\$ 1,563,244	\$ 4,047,498

Bond Fund - established to fund the semi-annual interests and annual principal payments of the 2020 Series Water and Sewer Revenue Improvement and Refunding bonds.

Construction and Improvement Fund - for capital improvements to the Authority.

Water Meter and Wastewater System Deposits - holds refundable customer deposits.

4. Leases Receivable / Deferred Inflows of Resources

The Authority has several lease agreements to rent space on water towers for the purpose of installing and maintaining wireless communications equipment. Two of the leases automatically renew for four additional five year terms unless terminated by the lessee. The lessee's pay a fixed monthly rate, with some rate increase built-in upon exercising renewal options. There are no variable payments associated with the leases. The Authority's incremental borrowing rate used to discount the leases was 4%.

The Authority has the following on its Statement of Net Position related to leases:

As Of December 31,	2023	2022
Leases receivable, current	\$ 39,009	\$ 36,612
Long-term leases receivable	433,616	472,625
Total Leases Receivable	\$ 472,625	\$ 509,237
Deferred Inflow of Resources	\$ 441,249	\$ 486,065

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

4. Leases Receivable / Deferred Inflows of Resources (continued)

The Authority recognized the following income related to leases:

Year Ended December 31,	2023	2022
Rental income	\$ 47,713	\$ 47,706
Lease interest income	20,351	21,800
Total Lease Income	\$ 68,064	\$ 69,506

Future minimum rents under non-cancellable leases to be received as of

December 31,	Principal	Interest	Total
2024	\$ 39,009	\$ 18,885	\$ 57,894
2025	40,570	17,324	57,894
2026	42,094	15,701	57,795
2027	42,656	14,038	56,694
2028	45,077	12,332	57,409
2029-2033	154,559	36,822	191,381
2034-2038	108,660	12,533	121,193
Total Lease Receivable	\$ 472,625	\$ 127,635	\$ 600,260

5. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2023	Additions / Transfers	Retirements/ Transfers	December 31, 2023
Land and easements	\$ 204,711	\$ -	\$ -	\$ 204,711
Building and improvements	733,887	-	-	733,887
Trucks and equipment	1,129,092	246,312	-	1,375,404
Properties in service	12,949,213	180,827	-	13,130,040
Meters	778,256	-	-	778,256
Sewer System	8,629,696	2,513,510	-	11,143,206
Construction in progress	101,679	2,568,687	2,670,366	-
Total Capital Assets	24,526,534	5,509,336	2,670,366	27,365,504
Less: Accumulated Depreciation	11,771,693	619,469	-	12,391,162
Net Capital Assets	\$ 12,754,841	\$ 4,889,867	\$ 2,670,366	\$ 14,974,342

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Capital Assets (continued)

As Of	January 1, 2022	Additions / Transfers	Retirements/ Transfers	December 31, 2022
Land and easements	\$ 204,711	\$ -	\$ -	\$ 204,711
Building and improvements	679,703	54,184	-	733,887
Trucks and equipment	936,213	192,879	-	1,129,092
Properties in service	12,908,627	40,586	-	12,949,213
Meters	778,256	-	-	778,256
Sewer System	8,629,696	-	-	8,629,696
Construction in progress	119,986	35,876	54,183	101,679
Total Capital Assets	24,257,192	323,525	54,183	24,526,534
Less: Accumulated Depreciation	11,190,732	580,961	-	11,771,693
Net Capital Assets	\$ 13,066,460	\$ (257,436)	\$ 54,183	\$ 12,754,841

Major projects completed during the year ended December 31, 2023 included the following:

- The wastewater expansion project includes new wastewater force main installations, new individual grinder pump stations and associated plumbing to connect the customer's residential plumbing to the system. The total project cost was \$2,495,967.
- The White River Bridge project is repairing the water line supports that have deteriorated along the Bridge. The total project cost was \$154,711.
- The Highway 230 Bridge Replacement involves relocating water lines so that the Bridge can be replaced. The total project cost was \$19,688

All projects were funded with the 2020 Water and Sewer Revenue Improvement Bonds.

6. Asset Retirement Obligation

As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under GASB Statement No. 83, *Certain Asset Retirement Obligations*, the Authority must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the Authority to perform asset retirement activities. The Authority owns and operates a wastewater treatment plant, and the existence of laws and regulations to decommission the plant falls within the scope of GASB 83.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

6. Asset Retirement Obligation (continued)

The Authority's current wastewater treatment plant has been in existence since 2008. The Authority uses a low pressure grinder pump collection system. The system was initially designed for 50% growth, and Authority recently completed expanding the system (see Notes 5 and 7). The Authority is not reporting an ARO on the Statement of Net Position because the Authority does not have an estimate of the cost to close the wastewater treatment plant, and with the planned future expansion projects, there is not a good estimate of the plant's remaining useful life. An ARO will be recorded if future events warrant a change.

7. Long-Term Debt

On February 27, 2020, the Authority issued Water and Sewer Revenue Improvement and Refunding Bonds in the amount of \$16,505,000. The Bonds were issued to refund the 2007 Series Water and Sewer Revenue Bonds and all other indebtedness of the Authority totaling \$12,351,774 and pay cost of issuance fees. The remaining \$3,466,607 in proceeds will be used to fund improvements to the Authority which include establishing secondary feeds to areas that have a large population base and/or critical needs and support growth within developed areas as well as sewer expansions into densely populated areas. See Note 5 for projects completed during the year ended December 31, 2023.

Long-term debt of the Authority consisted of the following:

As of December 31,	2023	2022
Water and Sewer Revenue and Refunding Bonds dated 2/27/20 in the amount of \$16,505,000 with interest rates ranging from 1.82% to 3.22%. Annual payments of principal and semi-annual payments of interest are made until bond maturity in March 2055. The bonds are secured by revenues of the Authority.	\$ 15,370,000	\$ 15,755,000
Total	15,370,000	15,755,000
Less: Current maturities	395,000	385,000
Long-term debt	14,975,000	15,370,000
Less: unamortized bond discount	(176,807)	(183,564)
Long-Term Debt	\$ 14,798,193	\$ 15,186,436

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

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2024	\$ 395,000	\$ 450,939	\$ 845,939
2025	400,000	442,986	842,986
2026	410,000	434,446	844,446
2027	420,000	425,177	845,177
2028	430,000	415,157	845,157
2029-2033	2,315,000	1,900,479	4,215,479
2034-2038	2,655,000	1,549,651	4,204,651
2039-2043	3,100,000	1,099,602	4,199,602
2044-2048	3,625,000	560,038	4,185,038
2049-2050	1,620,000	52,647	1,672,647
Total	\$ 15,370,000	\$ 7,331,122	\$ 22,701,122

8. Changes in Long-Term Liabilities

Changes in long-term liabilities are as follows:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023	Due Within One Year
2020 Bonds	\$ 15,755,000	\$ -	\$ 385,000	\$ 15,370,000	\$ 395,000
Total	\$ 15,755,000	\$ -	\$ 385,000	\$ 15,370,000	\$ 395,000

As Of	January 1, 2022	Additions	Retirements	December 31, 2022	Due Within One Year
2020 Bonds	\$ 16,135,000	\$ -	\$ 380,000	\$ 15,755,000	\$ 385,000
Total	\$ 16,135,000	\$ -	\$ 380,000	\$ 15,755,000	\$ 385,000

9. Bond Discount

The bond issue discount of \$202,709 incurred with the issuance of the 2020 Series Water and Sewer Revenue Improvement and Refunding Bonds represents the additional interest (over and above any cash interest) over the term of the bond. This original issue discount is being amortized using the straight-line method over the life of the bond which is 30 years. Amortization of the bond discount was \$6,757 for both years ended December 31, 2023 and 2022, and is included with interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion is subtracted from long-term debt.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

10. Bond Covenants

The Authority's bond ordinance contains a provision (the Rate Covenant) which requires the Authority to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund debt service requirements to which the system revenues are pledged. For the years ended December 31, 2023 and 2022, the Authority was in compliance with the rate covenant.

The bond ordinance also contains specific requirements for annual debt service and various covenants which require the Authority to maintain various restricted cash and investment accounts and to meet various other general requirements. The Authority was in compliance with all such significant financial covenants and restrictions for the years ended December 31, 2023 and 2022.

11. Insurance Recoveries

Insurance recoveries totaling \$16,474 and \$7,165 during the years ended December 31, 2023 and 2022, respectively, were both claims for lightening strike damage to equipment at pump stations.

12. Retirement Plan

The Authority has adopted a 401K profit-sharing plan for its employees. All employees at least twenty-one years of age having completed one year of service are eligible to participate. An employee may contribute up to 10% of compensation. The Authority will match the amount of contribution by the employee up to 6%. There is six year graded vesting schedule regarding the employer match. The Authority's contribution for the years ended December 31, 2023 and 2022 was \$52,225 and \$46,401, respectively.

13. Utility Service Contract Commitments

The Authority entered into several contracts with Utility Service Group for maintenance of the Authority's water tanks. The seven contracts commenced in June 2017 and varied in terms of annual payments and contract lengths. Most contract terms have expired and are renewing on an annual basis. Maintenance fees incurred under the contracts were \$96,606 and \$86,615 for the years ended December 31, 2023 and 2022, respectively. Future annual commitments under the contracts are as follows:

For the Years Ended December 31,		
2024	\$	43,561
2025		4,363
2026		1,817
Total	\$	49,741

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

14. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries property and liability insurance as well as workers' compensation insurance to minimize the risk of loss.

There has been no significant reduction in the Authority's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Authority's coverage in any of the prior three fiscal years.

During the ordinary course of business, the Authority may be subject to claims and lawsuits. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that the disposition or resolution of such claims and lawsuits, if any, will not have a material effect on the financial position of the Authority.

15. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through March 26, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BY FUND

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Water	Wastewater	Total	Water	Wastewater	Total
Operating Revenue						
Water sales, net of bad debts	\$ 2,928,616	\$ -	\$ 2,928,616	\$ 2,622,458	\$ -	\$ 2,622,458
Wastewater revenue	-	664,946	664,946	-	565,949	565,949
Other income	2,232	8,746	10,978	422	-	422
Total Operating Revenue	2,930,848	673,692	3,604,540	2,622,880	565,949	3,188,829
Operating Expenses						
Advertising	841	-	841	969	-	969
Bank charges	4,336	-	4,336	4,566	-	4,566
Chemicals and supplies	163,804	18,770	182,574	107,731	15,261	122,992
Contract labor	14,532	-	14,532	24,374	312	24,686
Department of Health fees	19,117	-	19,117	18,948	-	18,948
Depreciation	406,722	212,747	619,469	399,893	181,068	580,961
Dues, meetings and travel	41,422	-	41,422	31,537	-	31,537
Employee benefits	176,988	31,663	208,651	169,506	2,468	171,974
Insurance	81,986	-	81,986	77,184	-	77,184
Land lease/easement	4,100	-	4,100	4,140	-	4,140
Material and repairs	210,228	215,792	426,020	141,534	177,423	318,957
Miscellaneous expenses	1,986	-	1,986	-	-	-
Office supplies and postage	72,837	269	73,106	65,568	1,231	66,799
Payroll taxes	59,801	9,766	69,567	55,394	6,756	62,150
Professional fees	36,300	11,306	47,606	36,920	-	36,920
Salaries and wages	788,517	128,603	917,120	726,588	90,382	816,970
Shop tools and supplies	37,784	6,711	44,495	41,276	16,174	57,450
Sludge removal	-	20,087	20,087	-	14,114	14,114
Tank maintenance	96,606	-	96,606	86,615	-	86,615
Telephone	22,236	7,479	29,715	20,355	7,124	27,479
Truck and backhoe expense	79,031	999	80,030	91,407	4,066	95,473
Utilities	169,383	33,951	203,334	167,203	40,033	207,236
Total Operating Expenses	2,488,557	698,143	3,186,700	2,271,708	556,412	2,828,120
Net Income (Loss) From Operations	442,291	(24,451)	417,840	351,172	9,537	360,709
Other Income (Expenses)						
Interest and dividend income, net	55,880	146	56,026	69,574	125	69,699
Lease interest income	20,351	-	20,351	21,800	-	21,800
Rent income	47,713	-	47,713	47,706	-	47,706
Insurance recoveries	-	16,474	16,474	7,165	-	7,165
Realized and unrealized gains (losses) on investments	165,461	-	165,461	(405,411)	-	(405,411)
Interest expense	(455,991)	(6,757)	(462,748)	(472,664)	-	(472,664)
Total Other Income (Expenses)	(166,586)	9,863	(156,723)	(731,830)	125	(731,705)
Change in Net Position	\$ 275,705	\$ (14,588)	\$ 261,117	\$ (380,658)	\$ 9,662	\$ (370,996)
Net Position at Beginning of Year			2,963,796			3,334,792
Net Position at End of Year			\$ 3,224,913			\$ 2,963,796

See independent auditor's report.

ADDITIONAL REPORT



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

To the Board of Directors
Southside Public Water Authority
Batesville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southside Public Water Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated March 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southside Public Water 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 Southside Public Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2023-001.

Southside Public Water Authority's Response to Finding

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

Purpose of This Report

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



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 26, 2024

SOUTHSIDE PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

Findings - Financial Statement Audit - Current Year

No findings as of December 31, 2023.

Findings - Compliance- Current Year

2023-001 - Non-Compliance with Arkansas Investments Permitted

Condition:

The Authority has funds invested in mutual funds, and other investments that violates the Arkansas State Code for investments permitted. State statute for investments permitted consist primarily of obligations that are guaranteed by the United States Government.

Criteria and Cause:

Any governmental organization that handles or produces goods or services for the public is to abide by state statutes governing the due care and safekeeping of the public's funds. State laws were put in place to ensure that public officials would safeguard funds provided to them for the continuing operation of their given responsibilities. This helps prevent unlawful use of public funds. This does not imply that the Authority has misappropriated any funds, but only that the Authority is not in compliance with state statutes.

Effect:

The Authority has used these investments in positive ways over the years and have been able to make improvements and expansions that otherwise may not have been possible. Nevertheless, the investments entered into are not in compliance with state statutes and are considered a material weakness in internal control over compliance with laws and regulations.

Recommendation:

We recommend moving the investment funds into legally compliant investments as soon as possible.

Management Response:

Management is well aware of the risks related to the investments. Management meets monthly and discusses various topics, but always makes it a point to discuss the performance of the investments. Meetings with the investment broker and attorney are regular and recommendations from each are weighed and decided upon without hesitation. Management has been fortunate enough to have these funds for several reasons, but expansions, improvements, and keeping customer charges affordable are among those. Management has reached out to the State of Arkansas' Attorney General and has yet to receive a response.

SOUTHSIDE PUBLIC WATER AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2023

Findings - Financial Statement Audit - Prior Year

None

Findings - Compliance- Prior Year

2022-001 - Non-Compliance with Arkansas Investments Permitted

Condition:

The Authority has funds invested in mutual funds, annuities, and other investments that violates the Arkansas State Code for investments permitted. State statute for investments permitted consist primarily of obligations that are guaranteed by the United States Government.

Recommendation:

We recommend moving the investment funds into legally compliant investments as soon as possible.

Current Status:

See finding 2023-001