

SOUTHSIDE PUBLIC WATER AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023



SOUTHSIDE PUBLIC WATER AUTHORITY
DECEMBER 31, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 April 30, 2025, 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
April 30, 2025

FINANCIAL STATEMENTS

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 477,294	\$ 477,498
Restricted cash and cash equivalents	1,017,613	1,316,456
Investments	1,210,580	1,095,062
Accounts receivable, net of allowance for doubtful accounts	375,647	352,448
Lease receivable, current	40,570	39,009
Inventory	445,151	374,370
Prepaid insurance	86,270	89,242
Other assets	593	593
Total Current Assets	3,653,718	3,744,678
Noncurrent Assets		
Long-term lease receivable	393,046	433,616
Investments	108,781	112,513
Restricted investments	261,765	246,788
Capital Assets		
Land	204,711	204,711
Building and improvements	760,389	733,887
Water system	13,424,328	13,130,040
Sewer system	11,143,206	11,143,206
Trucks and equipment	2,389,146	2,153,660
Construction in process	12,714	-
Total	27,934,494	27,365,504
Less accumulated depreciation	13,048,851	12,391,162
Net Capital Assets	14,885,643	14,974,342
Total Noncurrent Assets	15,649,235	15,767,259
Total Assets	\$ 19,302,953	\$ 19,511,937

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Liabilities		
Current Liabilities		
Accounts payable	\$ 92,767	\$ 115,553
Payroll withholdings payable	1,975	3,058
Accrued payroll	9,596	-
Accrued compensated absences	23,086	26,702
Sales tax payable	8,649	7,145
Accrued interest	149,034	151,592
Customer deposits	369,587	348,532
Current portion of long-term debt	400,000	395,000
Total Current Liabilities	1,054,694	1,047,582
Noncurrent Liabilities:		
Long-term debt, net of unamortized bond discounts	14,404,950	14,798,193
Total Noncurrent Liabilities	14,404,950	14,798,193
Total Liabilities	15,459,644	15,845,775
Deferred Inflows of Resources		
Deferred inflows of resources related to leases	396,434	441,249
Total Deferred Inflows of Resources	396,434	441,249
Net Position		
Net investment in capital assets	76,619	505,041
Restricted	345,444	253,277
Unrestricted	3,024,812	2,466,595
Total Net Position	3,446,875	3,224,913
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,302,953	\$ 19,511,937

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,	2024	2023
Operating Revenue		
Water sales, net of bad debts	\$ 2,957,449	\$ 2,884,035
Wastewater revenue	587,614	523,346
Connection fees	129,279	186,181
Other income	10,263	10,978
Total Operating Revenue	3,684,605	3,604,540
Operating Expenses		
Advertising	1,020	841
Bank charges	-	4,336
Chemicals and supplies	191,497	182,574
Contract labor	10,345	14,532
Department of Health fees	19,198	19,117
Depreciation	689,571	619,469
Dues, meetings and travel	42,361	41,422
Employee benefits	233,209	208,651
Insurance	84,091	81,986
Land lease/easement	4,100	4,100
Material and repairs	361,652	426,020
Miscellaneous expenses	54	1,986
Office supplies and postage	71,149	73,106
Payroll taxes	73,650	69,567
Professional fees	40,850	47,606
Salaries and wages	973,690	917,120
Shop tools and supplies	63,948	44,495
Sludge removal	27,364	20,087
Tank maintenance	100,404	96,606
Telephone	36,374	29,715
Truck and backhoe expense	100,117	80,030
Utilities	213,406	203,334
Total Operating Expenses	3,338,050	3,186,700
Net Income From Operations	346,555	417,840
Other Income (Expenses)		
Interest and dividend income (loss), net investment fees	(829)	56,026
Lease interest income	18,885	20,351
Rent income	42,888	47,713
Insurance recoveries	-	16,474
Gain on disposition of fixed assets	13,000	-
Realized and unrealized gains on investments	256,601	165,461
Interest expense	(455,138)	(462,748)
Total Other Income (Expenses)	(124,593)	(156,723)
Change in Net Position	221,962	261,117
Net Position at Beginning of Year	3,224,913	2,963,796
Net Position at End of Year	\$ 3,446,875	\$ 3,224,913

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 3,683,965	\$ 3,588,465
Cash payments to suppliers for goods and services	(1,766,467)	(1,638,493)
Cash payments to employees for services	(967,710)	(915,750)
Net Cash Provided By Operating Activities	949,788	1,034,222
Cash Flows From Non-Capital and Related Financing Activities		
Rental income received	55,967	59,860
Insurance proceeds	-	16,474
Net Cash Provided By Non-Capital and Related Financing Activities	55,967	76,334
Cash Flows From Capital and Related Financing Activities		
Cash paid for property, plant, and equipment	(600,872)	(2,838,970)
Proceeds from disposition of assets	13,000	-
Repayment of debt	(395,000)	(385,000)
Interest paid on debt	(450,939)	(458,421)
Net Cash Used In Capital and Related Financing Activities	(1,433,811)	(3,682,391)
Cash Flows From Investing Activities		
Net investment sales (purchases)	129,838	77,699
Interest received	(829)	56,026
Net Cash Provided By Investing Activities	129,009	133,725
Net Decrease In Cash, Cash Equivalents	(299,047)	(2,438,110)
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	1,793,954	4,232,064
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 1,494,907	\$ 1,793,954
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 477,294	\$ 477,498
Restricted cash and cash equivalents	1,017,613	1,316,456
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,494,907	\$ 1,793,954

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net Income from operations	\$ 346,555	\$ 417,840
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	689,571	619,469
(Increase) decrease in:		
Accounts receivable	(23,199)	(37,899)
Prepaid insurance	2,972	17,490
Inventory	(70,781)	(60,204)
Increase (decrease) in:		
Accounts payable	(22,786)	54,098
Payroll withholdings payable	(1,083)	234
Accrued payroll	9,596	-
Accrued compensated absences	(3,616)	1,370
Sales tax payable	1,504	1,068
Customer deposits	21,055	20,756
Net Cash Provided By Operating Activities	\$ 949,788	\$ 1,034,222

See accompanying notes to financial statements.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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, 2024 AND 2023

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 \$43,589 and \$36,047 at December 31, 2024 and 2023, 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 a lease, 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.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation (continued)

The estimated useful lives of the assets are as follows:

Building and improvements	5 - 40 years
Water system	5 - 40 years
Sewer system	5 - 50 years
Trucks and equipment	5 - 15 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, 2024 and 2023, the Authority had \$23,086 and \$26,702, 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:

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

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

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

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

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

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

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, 2024 and 2023, 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, 2024		At December 31, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 1,641,093	\$ 1,494,747	\$ 1,860,223	\$ 1,793,794
Cash on hand	-	160	-	160
Total cash and cash equivalents	\$ 1,641,093	\$ 1,494,907	\$ 1,860,223	\$ 1,793,954

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits with Financial Institutions (continued)

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

As Of December 31,	2024		2023	
Current Assets				
Cash and cash equivalents	\$	477,294	\$	477,498
Restricted checking and savings accounts		1,017,613		1,316,456
Total	\$	1,494,907	\$	1,793,954

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,	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 31,377	\$ 31,377	\$ 129,088	\$ 129,088
Corporate Bonds	101,330	108,781	101,424	112,513
Mutual Funds	612,612	880,755	750,641	1,035,831
Exchange-Traded Products (ETP)	527,179	560,213	177,581	176,931
Total	\$ 1,272,498	\$ 1,581,126	\$ 1,158,734	\$ 1,454,363

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

As Of December 31,	2024		2023	
Current Assets:				
Investments	\$	1,210,580	\$	1,095,062
Noncurrent Assets:				
Investments		108,781		112,513
Restricted investments		261,765		246,788
Total	\$	1,581,126	\$	1,454,363

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, 2024 AND 2023

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	\$ 108,781	\$ -	\$ -	\$ -	\$ 108,781
Mutual Funds	880,755	880,755	-	-	-
ETP	560,213	560,213	-	-	-
Total	\$ 1,549,749	\$ 1,440,968	\$ -	\$ -	\$ 108,781

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	BBB+	BBB
Bonds	\$ -	\$ 57,814	\$ 50,967
Mutual Funds	1,035,831	-	-
ETP	176,931	-	-
Total	\$ 1,212,762	\$ 57,814	\$ 50,967

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 \$1,581,126 and \$1,454,363 invested in these accounts at December 31, 2024 and 2023, respectively.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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,	2024		2023	
	Fair Value	%	Fair Value	%
Cash	\$ 31,377	1.98%	\$ 129,088	8.88%
Corporate Bonds	108,781	6.88%	112,513	7.74%
Mutual Funds	880,755	55.70%	1,035,831	71.22%
Exchange-Traded Products (ETP)	560,213	35.43%	176,931	12.17%
Total	\$ 1,581,126	100.00%	\$ 1,454,363	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, 2024:

	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ 108,781	\$ -	\$ -	\$ 108,781
Mutual Funds	880,755	-	-	880,755
Exchange-Traded Products	560,213	-	-	560,213
Total	\$ 1,549,749	\$ -	\$ -	\$ 1,549,749

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, 2024 AND 2023

3. Restricted Assets

Restricted accounts consists of the following:

As Of December 31,	2024	2023
Checking accounts:		
Water Meter Deposits	\$ 68,165	\$ 64,087
Wastewater System Deposits	39,657	37,657
Bond Fund	494,478	490,820
Construction and Improvement Fund	415,313	723,892
Total Restricted Cash	1,017,613	1,316,456
Investments:		
Water Meter Deposits	261,765	246,788
Total Restricted Investments	261,765	246,788
Total Restricted Cash and Investments	\$ 1,279,378	\$ 1,563,244

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 increases 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,	2024	2023
Leases receivable, current	\$ 40,570	\$ 39,009
Long-term leases receivable	393,046	433,616
Total Leases Receivable	\$ 433,616	\$ 472,625
Deferred Inflow of Resources	\$ 396,434	\$ 441,249

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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

The Authority recognized the following income related to leases:

Year Ended December 31,	2024	2023
Rental income	\$ 42,888	\$ 47,713
Lease interest income	18,885	20,351
Total Lease Income	\$ 61,773	\$ 68,064

Future minimum rents under non-cancellable leases to be received :

December 31,	Principal	Interest	Total
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	47,881	10,529	58,410
2030-2034	128,774	30,639	159,413
2035-2038	86,564	8,187	94,751
Total Lease Receivable	\$ 433,616	\$ 108,750	\$ 542,366

5. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions / Transfers	Retirements/ Transfers	December 31, 2024
Land and easements	\$ 204,711	\$ -	\$ -	\$ 204,711
Building and improvements	733,887	26,502	-	760,389
Trucks and equipment	1,375,404	267,368	31,882	1,610,890
Properties in service	13,130,040	294,288	-	13,424,328
Meters	778,256	-	-	778,256
Sewer System	11,143,206	-	-	11,143,206
Construction in progress	-	12,714	-	12,714
Total Capital Assets	27,365,504	600,872	31,882	27,934,494
Less: Accumulated Depreciation	12,391,162	689,571	31,882	13,048,851
Net Capital Assets	\$ 14,974,342	\$ (88,699)	\$ -	\$ 14,885,643

Construction in progress at year-end is to bring a 6-inch line across Chamblee Drive to JL Loop in Buffalo Creek Estates. The project is estimated to cost approximately \$125,642 and be completed in May 2025.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

5. Capital Assets (continued)

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

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

6. 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.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

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

As of December 31,	2024	2023
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.	\$ 14,975,000	\$ 15,370,000
Total	14,975,000	15,370,000
Less: Current maturities	400,000	395,000
Long-term debt	14,575,000	14,975,000
Less: unamortized bond discount	(170,050)	(176,807)
Long-Term Debt	\$ 14,404,950	\$ 14,798,193

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.

Debt is scheduled to mature as follows:

December 31,	Principal	Interest	Total
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	440,000	404,445	844,445
2030-2034	2,375,000	1,836,768	4,211,768
2035-2039	2,735,000	1,467,665	4,202,665
2040-2044	3,200,000	998,795	4,198,795
2045-2049	3,740,000	441,462	4,181,462
2050	825,000	13,282	838,282
Total	\$ 14,975,000	\$ 6,880,183	\$ 21,855,183

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

7. Changes in Long-Term Liabilities

Changes in long-term liabilities are as follows:

As Of	January 1, 2024	Additions	Retirements	December 31, 2024	Due Within One Year
2020 Bonds	\$ 15,370,000	\$ -	\$ 395,000	\$ 14,975,000	\$ 400,000
Total	\$ 15,370,000	\$ -	\$ 395,000	\$ 14,975,000	\$ 400,000

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

8. 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, 2024 and 2023, 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.

9. 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, 2024 and 2023, 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, 2024 and 2023.

10. Insurance Recoveries

Insurance recoveries totaling \$16,474 during the year ended December 31, 2023 was a claim for lightning strike damage to equipment at a pump station.

SOUTHSIDE PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

11. 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, 2024 and 2023 was \$53,566 and \$52,225, respectively.

12. 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 \$100,404 and \$96,606 for the years ended December 31, 2024 and 2023, respectively. Future annual commitments under the contracts are as follows:

For the Years Ended December 31,	
2025	\$ 44,140
2026	1,236
Total	\$ 45,376

13. 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.

14. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through April 30, 2025, 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, 2024 AND 2023

	2024			2023		
	Water	Wastewater	Total	Water	Wastewater	Total
Operating Revenue						
Water sales, net of bad debts	\$ 2,957,449	\$ -	\$ 2,957,449	\$ 2,884,035	\$ -	\$ 2,884,035
Wastewater revenue	-	587,614	587,614	-	523,346	523,346
Connection fees	48,482	80,797	129,279	44,581	141,600	186,181
Other income	984	9,279	10,263	2,232	8,746	10,978
Total Operating Revenue	3,006,915	677,690	3,684,605	2,930,848	673,692	3,604,540
Operating Expenses						
Advertising	1,020	-	1,020	841	-	841
Bank charges	-	-	-	4,336	-	4,336
Chemicals and supplies	158,723	32,774	191,497	163,804	18,770	182,574
Contract labor	10,345	-	10,345	14,532	-	14,532
Department of Health fees	19,198	-	19,198	19,117	-	19,117
Depreciation	415,094	274,477	689,571	406,722	212,747	619,469
Dues, meetings and travel	38,756	3,605	42,361	41,422	-	41,422
Employee benefits	192,513	40,696	233,209	176,988	31,663	208,651
Insurance	84,091	-	84,091	81,986	-	81,986
Land lease/easement	4,100	-	4,100	4,100	-	4,100
Material and repairs	155,356	206,296	361,652	210,228	215,792	426,020
Miscellaneous expenses	54	-	54	1,986	-	1,986
Office supplies and postage	68,478	2,671	71,149	72,837	269	73,106
Payroll taxes	63,765	9,885	73,650	59,801	9,766	69,567
Professional fees	40,850	-	40,850	36,300	11,306	47,606
Salaries and wages	825,736	147,954	973,690	788,517	128,603	917,120
Shop tools and supplies	56,819	7,129	63,948	37,784	6,711	44,495
Sludge removal	-	27,364	27,364	-	20,087	20,087
Tank maintenance	100,404	-	100,404	96,606	-	96,606
Telephone	28,556	7,818	36,374	22,236	7,479	29,715
Truck and backhoe expense	97,883	2,234	100,117	79,031	999	80,030
Utilities	184,760	28,646	213,406	169,383	33,951	203,334
Total Operating Expenses	2,546,501	791,549	3,338,050	2,488,557	698,143	3,186,700
Net Income (Loss) From Operations	460,414	(113,859)	346,555	442,291	(24,451)	417,840
Other Income (Expenses)						
Interest and dividend income (loss), net investment fees	(1,052)	223	(829)	55,880	146	56,026
Lease interest income	18,885	-	18,885	20,351	-	20,351
Rent income	42,888	-	42,888	47,713	-	47,713
Insurance recoveries	-	-	-	-	16,474	16,474
Gain on disposition of assets	13,000	-	13,000	-	-	-
Realized and unrealized gains (losses) on investments	256,601	-	256,601	165,461	-	165,461
Interest expense	(455,138)	-	(455,138)	(455,991)	(6,757)	(462,748)
Total Other Income (Expenses)	(124,816)	223	(124,593)	(166,586)	9,863	(156,723)
Change in Net Position	\$ 335,598	\$ (113,636)	221,962	\$ 275,705	\$ (14,588)	261,117
Net Position at Beginning of Year			3,224,913			2,963,796
Net Position at End of Year			\$ 3,446,875			\$ 3,224,913

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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated April 30, 2025.

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 2024-001.

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
April 30, 2025

SOUTHSIDE PUBLIC WATER AUTHORITY

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2024

Findings - Financial Statement Audit - Current Year

No findings as of December 31, 2024.

Findings - Compliance- Current Year

2024-001 - 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, 2024

Findings - Financial Statement Audit - Prior Year

None

Findings - Compliance- Prior 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.

Recommendation:

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

Curren Status:

See finding 2024-001