

RIVERSOUTH RURAL WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022



RIVERSOUTH RURAL WATER DISTRICT

SEPTEMBER 30, 2023 AND 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Net Position.....	4-5
Statements of Revenue, Expenses, and Changes in Net Position.....	6
Statements of Cash Flows.....	7-8
Notes to Financial Statements.....	9-28
Required Supplementary Information	
Required Supplemental Information for Cost-Sharing Employer Plans.....	29
Notes to Required Supplemental Information for Cost-Sharing Employer Plans.....	30
Supplemental Information	
Schedule of Bonds Outstanding.....	31-32
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 <i>Government Auditing Standards</i>	33-34



Independent Auditor's Report

To the Board of Directors
RiverSouth Rural Water District
Ozark, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the RiverSouth Rural Water District, as of and for the years ended September 30, 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 RiverSouth Rural Water District as of September 30, 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 on the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the RiverSouth Rural Water District 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 RiverSouth Rural Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 RiverSouth Rural Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RiverSouth Rural Water District's ability to continue as a going concern for a reasonable period of time.

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

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 statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information on cost-sharing pension plans on pages 29 and 30 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedules of bonds outstanding are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 standard generally accepted in the United States of America. In our opinion, the schedule of bonds outstanding 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 February 1, 2024, on our consideration of the RiverSouth Rural Water District'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 RiverSouth Rural Water District'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 RiverSouth Rural Water District's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 1, 2024

FINANCIAL STATEMENTS

RIVERSOUTH RURAL WATER DISTRICT

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 898,731	\$ 873,524
Restricted checking and savings accounts	397,636	384,653
Certificates of deposit	624,704	616,629
Restricted certificates of deposit	222,371	221,816
Investments	244,239	-
Restricted investments	-	233,949
Accounts receivable	125,980	115,605
Prepaid expenses	11,805	11,881
Inventories	52,244	35,835
Total Current Assets	2,577,710	2,493,892
Noncurrent Assets - Capital Assets		
Land	97,664	97,664
Distribution system	1,620,655	1,620,655
Distribution system addition	7,537,771	5,842,512
County heights addition	82,558	82,558
Office equipment	58,402	58,402
Operating equipment	330,085	330,085
Office building	83,513	83,513
Storage building	11,404	11,404
Furniture, fixtures, and equipment	37,870	37,870
Construction in process	-	1,421,806
Total	9,859,922	9,586,469
Less accumulated depreciation	(4,488,951)	(4,289,207)
Net Noncurrent Assets - Capital Assets	5,370,971	5,297,262
Total Assets	7,948,681	7,791,154
Deferred Outflows of Resources		
Deferred loss on refunding, net of amortization	-	51,385
Deferred outflows of resources related to pension	74,282	30,961
Total Deferred Outflows of Resources	74,282	82,346
Total Assets and Deferred Outflows of Resources	\$ 8,022,963	\$ 7,873,500

See accompanying notes to financial statements.

RIVERSOUTH RURAL WATER DISTRICT

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30,	2023	2022
Liabilities		
Current Liabilities		
Accounts payable	\$ 32,518	\$ 29,915
Accrued payroll taxes and related liabilities	4,133	4,080
Sales tax payable	9,770	8,974
Accrued wages	3,117	2,991
Accrued interest	7,040	6,438
Accrued compensated absences	7,088	8,114
Customer deposits	104,832	103,282
Current portion of other long-term liabilities	11,652	11,338
Current portion of long-term debt	107,002	307,413
Total Current Liabilities	287,152	482,545
Noncurrent Liabilities:		
Long-term debt, net of unamortized bond discounts	1,740,624	2,317,835
Other long-term liabilities	48,300	59,952
Net pension liability	187,950	55,788
Total Noncurrent Liabilities	1,976,874	2,433,575
Total Liabilities	2,264,026	2,916,120
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	7,452	103,444
Total Deferred Inflows of Resources	7,452	103,444
Net Position		
Net investment in capital assets	3,523,345	2,723,399
Restricted	480,378	640,109
Unrestricted	1,747,762	1,490,428
Total Net Position	5,751,485	4,853,936
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,022,963	\$ 7,873,500

See accompanying notes to financial statements.

RIVERSOUTH RURAL WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Operating Revenue		
Metered water sales, net of refunds and bad debts	\$ 1,283,602	\$ 1,260,725
Late charges	15,598	14,844
Service charges	2,340	2,700
New service hook up	19,000	28,700
Other services and income	9,774	9,963
Total Operating Revenue	1,330,314	1,316,932
Operating Expenses		
Water purchases	330,094	302,937
Chemicals	2,055	2,084
Supplies	20,222	17,426
Outside services	60,182	53,950
Wages	177,236	175,858
Truck expense	24,769	30,272
Insurance	21,138	20,227
Professional fees	15,131	14,310
Trustee and bank fees	1,223	1,312
Repairs and maintenance	100,865	92,886
Telephone and utilities	44,926	41,077
Postage	8,999	8,151
Office expenses	4,326	8,634
Licenses, dues and subscriptions	3,069	1,350
Conferences and training	1,271	1,588
Payroll tax expense	14,690	14,542
Employee benefits	29,355	5,429
Clothing allowance	2,258	2,048
Miscellaneous	1,736	1,716
Depreciation expense	199,744	193,510
Total Operating Expenses	1,063,289	989,307
Net Income From Operations	267,025	327,625
Other Income (Expenses)		
Interest income	23,629	10,774
Insurance recoveries	9,454	-
American Rescue Plan Act grant	722,249	-
ANRC disbursement	10,993	-
FSPWA fixed and variable costs	(11,647)	(8,892)
Gain on disposal of assets	-	52,605
Loss on bond discount and deferred loss on refunding disposal	(39,310)	-
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(84,844)	(86,742)
Total Net Other Income (Expenses)	630,524	(32,255)
Change in Net Position	897,549	295,370
Net Position at Beginning of Year	4,853,936	4,558,566
Net Position at End of Year	\$ 5,751,485	\$ 4,853,936

See accompanying notes to financial statements.

RIVERSOUTH RURAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,322,285	\$ 1,313,965
Cash payments to suppliers for goods and services	(707,137)	(766,833)
Cash payments to employees for services	(178,136)	(175,775)
Net Cash Provided By Operating Activities	437,012	371,357
Cash Flows From Non-Capital Financing Activities		
Insurance recoveries	9,454	-
Net Cash Provided By Non-Capital Financing Activities	9,454	-
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of fixed assets	-	60,800
American Rescue Plan Act grant	722,249	-
ANRC disbursement	10,993	-
Acquisition of capital assets	(273,453)	(86,443)
Proceeds from the issuance of debt	252,702	118,820
Interest paid on long-term debt	(65,896)	(70,271)
Principal paid on long-term debt	(1,036,595)	(236,210)
FSPWA principal debt payment	(11,338)	(11,033)
FSPWA other fixed and variable costs	(11,647)	(8,892)
Net Cash Used By Capital and Related Financing Activities	(412,985)	(233,229)
Cash Flows From Investing Activities		
Reinvestment in certificates of deposit earnings	(8,630)	(3,588)
Net activity of debt service investments	(10,290)	2,209
Interest income	23,629	10,774
Net Cash Provided By Investing Activities	4,709	9,395
Net Increase In Cash and Cash Equivalents	38,190	147,523
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	1,258,177	1,110,654
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 1,296,367	\$ 1,258,177
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 898,731	\$ 873,524
Restricted checking and savings accounts	397,636	384,653
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,296,367	\$ 1,258,177

See accompanying notes to financial statements.

RIVERSOUTH RURAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 267,025	\$ 327,625
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	199,744	193,510
Net change in assets and liabilities:		
Accounts receivable	(10,375)	(7,095)
Prepaid expenses	76	(1,088)
Inventories	(16,409)	4,445
Deferred outflows of resources related to pension	(43,321)	26,478
Accounts payable	2,603	(121,213)
Accrued payroll taxes and related liabilities	53	319
Sales tax payable	796	(157)
Accrued wages	126	631
Accrued compensated absences	(1,026)	(548)
Customer deposits	1,550	4,285
Net pension liability	132,162	(151,119)
Deferred inflows of resources related to pension	(95,992)	95,284
Net Cash Provided By Operating Activities	\$ 437,012	\$ 371,357

See accompanying notes to financial statements.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Nature of Operations

RiverSouth Rural Water District (formerly South Ozark Water Users' Association, Inc.) (the District) was incorporated December 22, 1977 under the provisions of Title 64, Chapter 19, Arkansas Statutes, Act 176 of the 1963 General Assembly. On December 15, 1994, the Quorum Court of Franklin County, Arkansas passed ordinance No. 1994-18 creating a Public Facilities Board under the Public Facilities Board Act. On May 23, 1995, South Ozark Water Users' Association, Inc. transferred all of its assets and liabilities, both tangible and intangible, to South Ozark Water Users Association of Franklin County, Arkansas. The formal change of the District's name was accomplished on Thursday, May 11, 2000, by the passage of an ordinance by the Franklin County Quorum Court amending the original ordinance passed on December 15, 1994, as mentioned above. The purpose of the District is to provide water for rural customers within the counties of Franklin, Sebastian, and Logan in Arkansas.

1. Summary of Significant Accounting Policies

Basis of Presentation

The District'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 District 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 District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Taxes

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

Cash Equivalents

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

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are presented at fair value. Restricted investments consist primarily of U.S. Government securities designated to service semi-annual bond payments and fund a debt service reserve fund. The District also invests in certificates of deposit.

Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

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 which services are consumed.

Inventories

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

Capital Assets and Depreciation

Capital outlays of the District are recorded 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:

Distribution system and additions	5 - 50 years
Office equipment	3 - 5 years
Operating equipment	5 - 10 years
Office building	5 - 40 years
Storage building	20 years
Furniture, fixtures, and equipment	5 - 10 years

It is the District's policy to capitalize asset purchases greater than \$5,000 and expense asset purchases less than \$5,000.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions.

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 District recognizes deferred inflows of resources related to pensions.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the District. Vacation must be used by the employees year-end anniversary date or it is lost. Employees can carryforward unused sick days from year to year. Upon termination from the District, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. The amount of accrued compensated absences at September 30, 2023 and 2022 was \$7,088 and \$8,114, respectively.

Customer Meter Deposits

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

Unamortized Bond Discount

Bond discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of bond discounts. Bond issuance costs are reported as an expense of the current period. Amortization of the bond discount is included with interest expense on the Statement of Revenues, Expenses and Changes in Net Position.

Net Position

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

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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 District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts, restricted resources are considered spent before unrestricted.

Operating Revenues and Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. 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.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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 or portions thereof became effective during the District's fiscal year.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

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.

GASB Statement No. 99, *Omnibus 2022*, portions of which became effective during the fiscal year. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

2. Deposits and Investments

The District does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

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

Custodial credit risk is the risk that in the event of a bank failure, a District's deposits may not be recovered. At September 30, 2023 and 2022, all of the District's deposits were insured and/or collateralized. The bank balances and carrying amount of the District's deposits held were as follows:

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

2. Deposits and Investments (continued)

Description	At September 30, 2023		At September 30, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 479,736	\$ 479,736	\$ 474,633	\$ 474,633
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	829,482	816,631	754,004	783,544
Total	\$ 1,309,218	\$ 1,296,367	\$ 1,228,637	\$ 1,258,177

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

As Of September 30,	2023	2022
Cash and cash equivalents	\$ 898,731	\$ 873,524
Restricted checking and savings accounts	397,636	384,653
Total	\$ 1,296,367	\$ 1,258,177

Investments

Investments consist of certificates of deposit, accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due, and debt service reserves for future principal and interest payments if District funds are not available. The investments are stated at fair market value, which approximates cost. The Department's investments consist of the following:

As Of September 30, 2023	Market	Maturity	Credit Rating
<u>Revenue Refunding Bond Fund</u>			
Government money market fund	\$ 123,418	< 1 year	AAAm/Aaa-mf
<u>Debt Service Reserve Fund</u>			
Government money market fund	120,821	< 1 year	AAAm/Aaa-mf
Certificates of deposit	509,042	< 1 year	N/A
Certificates of deposit	338,033	1-2 years	N/A
Total	\$ 1,091,314		

As Of September 30, 2022	Market	Maturity	Credit Rating
<u>Revenue Refunding Bond Fund</u>			
Government money market fund	\$ 122,964	< 1 year	AAAm/Aaa-mf
<u>Debt Service Reserve Fund</u>			
Government money market fund	110,985	< 1 year	AAAm/Aaa-mf
Certificates of deposit	571,807	< 1 year	N/A
Certificates of deposit	266,638	1-2 years	N/A
Total	\$ 1,072,394		

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

2. Deposits and Investments (continued)

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

As Of September 30,	2023	2022
Certificates of deposit	\$ 624,704	\$ 616,629
Restricted certificates of deposit	222,371	221,816
Investments	244,239	-
Restricted investments	-	233,949
Total	\$ 1,091,314	\$ 1,072,394

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 District's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023 and 2022, the District had credit risk of \$24,760 and \$18,449, respectively, for one certificate of deposit exceeding FDIC limits. All other certificates of deposit and investments at September 30, 2023 and 2022 are covered by FDIC limits, pledged securities, or invested in U.S. Treasury securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the District or by an agent of the District are in the District's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a District's investment in a single issuer. The District diversifies its investments by holding in multiple institutions.

The District'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

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

2. Deposits and Investments (continued)

The following table represents the Department's investments that are measured at fair value on a recurring basis at September 30, 2023:

		Level 1		Level 2		Level 3		Total
Government money market funds	\$	244,239	\$	-	\$	-	\$	244,239
Certificates of deposit		847,075		-		-		847,075
Total	\$	1,091,314	\$	-	\$	-	\$	1,091,314

3. Restricted Funds and Required Accounts

As Of September 30,		2023		2022
Restricted savings:				
Depreciation checking	\$	181,685	\$	180,577
ADFA - Cash held for bonds		48,051		44,057
Meter Deposit checking		63,978		62,706
Debt Service Reserve - Rural Development		103,922		97,308
System Improvements		-		5
Total restricted savings	\$	397,636	\$	384,653
Restricted certificates of deposit:				
Depreciation CD's	\$	152,044	\$	151,665
Meter Deposit CD		70,327		70,151
Total restricted certificates of deposit	\$	222,371	\$	221,816
Restricted investments:				
Revenue Refunding Bond Fund	\$	-	\$	110,985
Debt Service Reserve Fund		-		122,964
Total restricted investments	\$	-	\$	233,949

Depreciation Funds - for repairs, maintenance, betterments and improvements of the District

Bond Funds - established to fund the semi-annual interests and annual principal payments of the Arkansas Development Finance Authority bonds and 2009 Refunding Bonds

Debt Service Reserve - restricted for payment of principal and interest of the Rural Development loan and 2009 Refunding Bonds if funds are not available.

System Improvements - unspent proceeds received from 2021 Arkansas Development Finance Authority Bonds.

Meter Deposits - Refundable customer deposits

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

4. Capital Assets

Activity of capital assets consists of the following:

As Of	October 1, 2022	Additions & Contributions	Retirements/ Adjustments	September 30, 2023
Land	\$ 97,664	\$ -	\$ -	\$ 97,664
Distribution system	1,620,655	-	-	1,620,655
Distribution system addition	5,842,512	1,695,259	-	7,537,771
Country heights addition	82,558	-	-	82,558
Furniture, fixtures, and equipment	37,870	-	-	37,870
Office equipment	58,402	-	-	58,402
Operating equipment	330,085	-	-	330,085
Office building	83,513	-	-	83,513
Storage building	11,404	-	-	11,404
Construction in process	1,421,806	252,703	1,674,509	-
Total Capital Assets	9,586,469	1,947,962	1,674,509	9,859,922
Accumulated Depreciation	(4,289,207)	(199,744)	-	(4,488,951)
Capital Assets, Net	\$ 5,297,262	\$ 1,748,218	\$ 1,674,509	\$ 5,370,971

As Of	October 1, 2021	Additions & Contributions	Retirements	September 30, 2022
Land	\$ 97,664	\$ -	\$ -	\$ 97,664
Distribution system	1,620,655	-	-	1,620,655
Distribution system addition	5,842,512	-	-	5,842,512
Country Heights addition	82,558	-	-	82,558
Furniture, fixtures, and equipment	37,870	-	-	37,870
Office equipment	58,402	-	-	58,402
Operating equipment	340,419	84,231	94,565	330,085
Office building	83,513	-	-	83,513
Storage building	11,404	-	-	11,404
Construction in process	1,419,594	2,212	-	1,421,806
Total Capital Assets	9,594,591	86,443	94,565	9,586,469
Accumulated Depreciation	(4,182,067)	(193,510)	(86,370)	(4,289,207)
Capital Assets, Net	\$ 5,412,524	\$ (107,067)	\$ 8,195	\$ 5,297,262

During the year ended September 30, 2023 the District completed its construction of upgrades and improvements to the District. The improvements include a new 4" waterline along Deer Creek Trail from Highway 23 to Oak Bend Road and a 12" waterline connecting to the Franklin and Sebastian County Public Water Authority. The project was funded with a loan secured by the Arkansas Natural Resources Drinking Water State Revolving Loan Fund Program with joint funding from the U.S. Environmental Protection Agency. The total cost of the project was \$1.675 million.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

5. Long-Term Debt

Long-term debt consists of:

As Of September 30,	2023	2022
2009 Series Refunding Bonds, issued August 1, 2009, in the original amount of \$2,710,000. The bonds yield varying rates of interest ranging from 2.00% to 4.65%. Final maturity of the bonds is April 1, 2025. The bonds are secured by the District's revenues, water contracts, property and other assets.	\$ -	\$ 210,000
Rural Development, water revenue bonds issued November 8, 2007, in the original amount of \$1,021,000. Payments are made monthly in the amount of \$5,280 and includes interest of 4.125%. The loan is secured by revenues and property of the District.	893,074	919,015
Arkansas Development Finance Authority - 2010A Series Water Revenue Bonds - issued February 8, 2010, in the original amount of \$120,180. Payments are made semi-annually and include interest of 2.25% and a service fee of 1.00%. The bonds are secured by revenues and property of the District	56,482	63,006
Arkansas Development Finance Authority - 2021 Series Water Revenue Bonds - issued January 13, 2021, in the original amount of \$1,705,000. Borrowings on the bonds totaled \$1,692,200 as of September 30, 2023. Semi-annual payments commenced October 15, 2022 and include interest of 0.75% and a service fee of 1.00%. The bonds are secured by revenues and property of the District	898,070	1,439,498
Total	1,847,626	2,631,519
Less current portion	107,002	307,413
Long-Term Debt	1,740,624	2,324,106
Less unamortized discount on 2009 Series bonds	-	6,271
Long-term debt, net	\$ 1,740,624	\$ 2,317,835

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

5. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

September 30,	Principal	Interest	Total
2024	\$ 107,002	\$ 58,276	\$ 165,278
2025	109,650	50,290	159,940
2026	112,374	47,636	160,010
2027	115,179	44,904	160,083
2028	116,776	42,091	158,867
2029-2033	615,038	165,705	780,743
2034-2038	328,632	95,781	424,413
2039-2043	273,565	43,235	316,800
2044-2045	69,410	1,571	70,981
Total	\$ 1,847,626	\$ 549,489	\$ 2,397,115

Each of the District's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the District on behalf of the issuer until all defaults have been cured; and assessing additional interest, penalties and other charges, foreclose on any security, offset amounts to be paid to you under other federal programs, refer the account to a collection agency and report the District's default to a credit agency.

6. Other Long-Term Liabilities - FSPWA Interlocal Agreement

On December 29, 2009, the District entered into an Interlocal Agreement with the Franklin and Sebastian Public Water Authority (FSPWA), and the Cities of Charleston and Lavaca, Arkansas (the Cities). All parties under the agreement desired to participate in the acquisition, construction, and equipping of a potable water transmission line, pump stations, water storage devices, and a potable connection and master meter with the waterworks system of the City of Fort Smith, Arkansas. Under the agreement, FSPWA agreed to acquire, construct, equip, operate and maintain the project and purchase and sell water to the District and Cities upon the projects completion. FSPWA retains all rights, title and interest of the project. All equipment necessary to the operation and maintenance thereof shall be owned and operated by FSPWA as a water source for the District and Cities. The District and the Cities agreed to construct, equip, and finance one or more master meters to connect to the project. The District and Cities also agreed to pay a share of all fixed and variable costs for the operation of FSPWA. The District's share of these costs is 15%. The District paid \$11,647 and \$8,892 of costs to FSPWA during the years ended September 30, 2023 and 2022, respectively.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

6. Other Long-Term Liabilities - FSPWA Interlocal Agreement (continued)

Under a separate agreement, the District and Cities agreed to pay a portion of the principal and interest on a FSPWA loan totaling \$1,130,000. The loan bears interest at 2.75% and matures in June 2028. The District's share of the loan is 15% and the required monthly payment to FSPWA under this agreement is \$1,100. The District's portion owed on this debt was \$59,952 and \$71,290 at September 30, 2023 and 2022, respectively. The District paid \$11,338 towards principal and \$1,883 of interest on the loan during the year ended September 30, 2023. The District paid \$11,033 towards principal and \$2,189 of interest on the loan during the year ended September 30, 2022.

The District's share of debt is scheduled to be repaid as follows:

September 30,	Principal	Interest	Total
2024	\$ 11,652	\$ 1,569	\$ 13,221
2025	11,975	1,246	13,221
2026	12,307	914	13,221
2027	12,647	574	13,221
2028	11,371	224	11,595
Total	\$ 59,952	\$ 4,527	\$ 64,479

7. Changes In Long-Term Liabilities

Changes in long-term liabilities are as follows:

As Of	October 1, 2022	Additions & Contributions	Retirements	September 30, 2023	Due Within One Year
2009 Series Bonds	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -
Rural Development	919,015	-	25,941	893,074	27,122
ADFA - 2010A	63,006	-	6,524	56,482	6,736
ADFA - 2021	1,439,498	252,702	794,130	898,070	71,881
FSPWA - Interlocal	71,290	-	11,338	59,952	11,652
Net pension liability	55,988	132,162		188,150	-
Total	\$ 2,758,797	\$ 384,864	\$ 1,047,933	\$ 2,095,728	\$ 117,391

As Of	October 1, 2021	Additions & Contributions	Retirements	September 30, 2022	Due Within One Year
2009 Series Bonds	\$ 415,000	\$ -	\$ 205,000	\$ 210,000	\$ 210,000
Rural Development	943,909	-	24,894	919,015	26,028
ADFA - 2010A	69,322	-	6,316	63,006	6,521
ADFA - 2021	1,320,678	118,820	-	1,439,498	64,864
FSPWA - Interlocal	82,323	-	11,033	71,290	11,338
Net pension liability	206,907	-	150,919	55,988	-
Total	\$ 3,038,139	\$ 118,820	\$ 398,162	\$ 2,758,797	\$ 318,751

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

8. Unamortized Bond Discount and Bond Refunding /Accounting Gain or Loss

Bond discount costs incurred in connection with the issuance of the 2009 Series Refunding Bonds were deferred and amortized over the term of the bond which was 15 years. Amortization of the bond discount totaled \$1,995 and \$3,420 for the years ended September 30, 2023 and 2022, and is included in interest and fees on long-term debt in the Statement of Revenues, Expenses and Changes in Net Position. The unamortized portion of \$6,271 at September 30, 2022, was netted with total long-term debt on the Statement of Net Position.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The balance of \$51,385 at September 30, 2022, is shown as deferred loss on refunding on the Statement of Net Position and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization deferred loss totaled \$16,350 and \$28,028 for the years ended September 30, 2023 and 2022 and is included in interest and fees on long-term debt in the Statement of Revenues, Expenses and Changes in Net Position.

The District made its final 2009 Bond payment in April 2023. Final maturity on the bonds was not scheduled until April 2025, but the District made an additional principal payment on the bond in 2023. The District incurred a loss totaling \$39,310 to write-off the unamortized balance of the bond discount and deferred loss on refunding remaining after the final payment on the 2009 bonds.

9. Employee Retirement Plan

Plan Description

The District participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes: three state and three non-state employees, all appointed by the Governor, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

9. Employee Retirement Plan (continued)

Plan Description (continued)

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (the Plan) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- ☐ at age 65 with 5 years of service,
- ☐ at any age with 28 years actual service,
- ☐ at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- ☐ at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

9. Employee Retirement Plan (continued)

Benefits Provided (continued)

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for both APERS plan fiscal years ended June 30, 2022 and 2021. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the District were \$23,868 and \$22,482 for the years ended September 30, 2023 and 2022, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the District's proportionate share as of June 30, 2022 was 0.00697043%

There were no changes between the measurement date of June 30, 2022 and the City's report ending date of September 30, 2023, that would have had a significant impact on the net pension liability.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

9. Employee Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the APERS target asset allocation as of June 30, 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
	<u>100%</u>	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		<u>7.43%</u>

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

9. Employee Retirement Plan (continued)

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2022 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.15%) and 1% higher (8.15%) than the current rate:

	<u>Sensitivity of the Net Pension Liability to the Single Discount Rate</u>		
	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 298,805	\$ 187,950	\$ 96,428

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

9. Employee Retirement Plan (continued)

Pension Expense, Accrued APERS and Deferred Outflows/Inflows of Resources Related to Pensions

The District's proportionate share of pension expense was \$16,716 for the year ended September 30, 2023 and a benefit of \$6,874 for the year ended September 30, 2022. At September 30, 2023 and 2022, the District had an accrued APERS liability of \$565 and \$532, respectively, for the District's legally required contributions. In addition, at September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,511	\$ 2,269
Net difference between projected and actual earnings on pension plan investments	39,648	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	516	5,183
District contributions subsequent to the measurement date	29,607	-
Total	\$ 74,282	\$ 7,452

\$29,607 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Net Increase (Decrease) in Pension Expense
2024	\$ 6,203
2025	4,327
2026	(957)
2027	27,650
	\$ 37,223

10. American Rescue Plan Act Funds

On August 18, 2023, the District received \$722,249 of Coronavirus State and Local Fiscal Recovery Funds authorized by the American Rescue Plan Act. These funds can be used for several purposes including investing in water, sewer and broadband infrastructure. The District used these funds to pay down the 2021 Bonds outstanding that were used to fund a water infrastructure project (see Note 4).

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

11. Rental Income Lease Agreement

In August 2016, the District signed a lease agreement to rent space on certain water towers for the purpose of installing and maintaining wireless communications equipment. The lessee will pay the District \$50 per tower per month for a term of ten years.

Because this is a contract that conveys the control of the right to use a nonfinancial asset of the District for a period of time in an exchange transaction, the lease falls under the scope of GASB No. 87, *Leases*. Under the lease standard the District would need to record a lease receivable and related deferred inflow of financial of resources for the remaining contract period. As the remaining receivable balance on the contract was not material to the financial statements, the District did not record. The District recognized \$2,200 of rental income for both years ended September 30, 2023 and 2022, which is included in other services and income on the Statement of Revenues, Expenses, and Changes in Net Position. The lease expires in August 2026. Future minimum rentals to be received are approximately \$2,400 for the next three fiscal years.

The District will continue to evaluate all leases going forward to ensure compliance with the lease standard.

12. Concentrations of Credit Risks

a. Revenues & Receivables

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District sells water to customers in Franklin, Sebastian, and Logan counties.

b. Water Supply System

The District purchases its water from the City of Ozark. If the cost of the water were to increase or the possibility of the District to have to obtain water from another supplier was to occur, this may have an effect on the District's ability to continue in its current state.

The District's water expansion project connecting to FSPWA that was completed in July 2023, alleviates this risk by providing a secondary water source for customers.

13. Commitments & Contingencies

The Bond Resolution of the 2021 Series Bonds contains a provision (the Rate Covenant) which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Fund, and (3) leave a balance equal to the debt service requirements for the year of all outstanding Bonds and Parity obligations, as well as maintain specific restricted cash accounts and to meet various other general requirements. The District was in compliance with all such significant financial covenants and restrictions at September 30, 2023 and 2022.

RIVERSOUTH RURAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

14. Risk Management

The District 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 District carries commercial insurance for these risks of losses as well as other risks of loss such as workers' compensation insurance and general liability and property insurance.

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

15. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended September 30, 2023 through February 1, 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.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSOUTH RURAL WATER DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.00697043%	0.00725622%	0.00722546%	0.00733245%	0.00715667%	0.00761973%	0.00732256%	0.00712620%	0.00662725%
District's proportionate share of the net pension liability	187,950 \$	55,788 \$	206,907 \$	176,897 \$	157,871 \$	196,905 \$	175,108 \$	131,246 \$	94,035
District's covered-employee payroll	145,702 \$	144,898 \$	140,982 \$	140,318 \$	134,049 \$	137,331 \$	132,671 \$	126,437 \$	117,163
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.00%	38.50%	146.76%	126.07%	117.77%	143.38%	131.99%	103.80%	80.26%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	22,322 \$	22,198 \$	21,598 \$	21,497 \$	19,773 \$	19,913 \$	19,237 \$	18,662 \$	17,435
Contributions in relation to the contractually required contribution	(22,322)	(22,198)	(21,598)	(21,497)	(19,773)	(19,913)	(19,237)	(18,662)	(17,435)
Contribution deficiency (excess)	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	-
District's covered-employee payroll	145,702 \$	144,898 \$	140,982 \$	140,318 \$	134,049 \$	137,331 \$	132,671 \$	126,437 \$	117,163
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%	14.88%

See independent auditor's report.

RIVERSOUTH RURAL WATER DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.
2. Changes in benefits:
 - None: June 30, 2014 through June 30, 2020
 - June 30, 2021 valuation
 - Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
 - Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
 - For members hired on or after July 1, 2022:
 - Change the final average compensation period from 3 to 5 years
 - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index
3. Changes in actuarial assumptions:

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index									
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP-2014 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2014 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditor's report.

SUPPLEMENTAL INFORMATION

RIVERSOUTH RURAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING - 2010A SERIES BONDS

AS OF SEPTEMBER 30, 2023

Date	Principal	Interest Rate	Interest	Service Fee	Total
Oct 15, 2023	\$ 3,341	2.25%	\$ 636	\$ 282	\$ 4,259
Apr 15, 2024	3,395	2.25%	598	266	4,259
Oct 15, 2024	3,450	2.25%	560	249	4,259
Apr 15, 2025	3,506	2.25%	521	232	4,259
Oct 15, 2025	3,563	2.25%	482	214	4,259
Apr 15, 2026	3,621	2.25%	441	196	4,258
Oct 15, 2026	3,680	2.25%	401	178	4,259
Apr 15, 2027	3,740	2.25%	359	160	4,259
Oct 15, 2027	3,800	2.25%	317	141	4,258
Apr 15, 2028	3,862	2.25%	274	122	4,258
Oct 15, 2028	3,925	2.25%	231	103	4,259
Apr 15, 2029	3,989	2.25%	187	83	4,259
Oct 15, 2029	4,053	2.25%	142	63	4,258
Apr 15, 2030	4,120	2.25%	96	43	4,259
Oct 15, 2030	4,186	2.25%	50	22	4,258
Apr 15, 2031	251	2.25%	3	1	255
	\$ 56,482	\$	\$ 5,298	\$ 2,355	\$ 64,135

See independent auditor's report.

RIVERSOUTH RURAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING - 2021 SERIES BONDS

AS OF SEPTEMBER 30, 2023

Date	Principal	Interest Rate	Interest	Service Fee 1.00%	Total
Oct 15, 2024	\$ 36,413	0.75%	\$ 5,685	\$ 7,580	\$ 49,678
Apr 15, 2025	36,731	0.75%	3,231	4,308	44,270
Oct 15, 2025	37,053	0.75%	3,093	4,125	44,271
Apr 15, 2026	37,377	0.75%	2,955	3,939	44,271
Oct 15, 2026	37,704	0.75%	2,814	3,753	44,271
Apr 15, 2027	38,035	0.75%	2,673	3,564	44,272
Oct 15, 2027	38,367	0.75%	2,530	3,374	44,271
Apr 15, 2028	38,703	0.75%	2,386	3,182	44,271
Oct 15, 2028	39,041	0.75%	2,241	2,988	44,270
Apr 15, 2029	39,384	0.75%	2,095	2,793	44,272
Oct 15, 2029	39,727	0.75%	1,947	2,596	44,270
Apr 15, 2030	40,075	0.75%	1,798	2,398	44,271
Oct 15, 2030	40,426	0.75%	1,648	2,197	44,271
Apr 15, 2031	40,780	0.75%	1,496	1,995	44,271
Oct 15, 2031	41,136	0.75%	1,343	1,791	44,270
Apr 15, 2032	41,496	0.75%	1,189	1,586	44,271
Oct 15, 2032	41,860	0.75%	1,034	1,378	44,272
Apr 15, 2033	42,226	0.75%	877	1,169	44,272
Oct 15, 2033	42,595	0.75%	718	958	44,271
Apr 15, 2034	42,968	0.75%	559	745	44,272
Oct 15, 2034	43,344	0.75%	397	530	44,271
Apr 15, 2034	43,724	0.75%	235	313	44,272
Oct 15, 2034	18,905	0.75%	71	95	19,071
	\$ 898,070	\$	\$ 43,015	\$ 57,357	\$ 998,442

See independent auditor's report.

ADDITIONAL REQUIRED 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
RiverSouth Rural Water District
Ozark, 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 RiverSouth Rural Water District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated February 1, 2024, which was modified to reflect the omission of the management's discussion and analysis.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

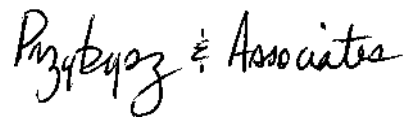
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 RiverSouth Rural Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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
February 1, 2024