

SEVIER COUNTY PUBLIC WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



SEVIER COUNTY PUBLIC WATER AUTHORITY
JUNE 30, 2024 AND 2023

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Independent Auditor's Report

To the Board of Directors
Sevier County Public Water Authority
De Queen, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sevier County Public Water Authority (the Authority), as of and for the years ended June 30, 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 Sevier County Public Water Authority as of June 30, 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 audits 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 Sevier County Public Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Sevier County 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 Sevier County 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sevier County 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 statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2025, on our consideration of the Sevier County 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 Sevier County 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 Sevier County Public Water Authority's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 18, 2025

FINANCIAL STATEMENTS

SEVIER COUNTY PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF JUNE 30,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 193,968	\$ 172,304
Certificates of deposit	86,042	-
Restricted checking accounts	296,344	3,697,158
Restricted certificates of deposit	3,854,829	-
Accounts receivable, net of allowance for doubtful accounts of \$10,824 and \$6,841, respectively	282,457	231,530
Inventory	40,675	25,790
Deposits	5,230	5,230
Total Current Assets	4,759,545	4,132,012
Capital Assets, Net	9,781,987	8,798,115
Total Assets	\$ 14,541,532	\$ 12,930,127
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,502,832	\$ 19,097
Accrued wages	3,310	3,079
Accrued compensated absences	18,869	35,709
Payroll taxes payable	3,417	2,921
Sales tax payable	15,397	13,932
Accrued interest	5,332	6,015
Customer deposits	235,223	229,348
Current maturity of long-term debt	221,271	202,711
Total Current Liabilities	2,005,651	512,812
Long-term Debt	5,605,792	5,857,914
Total Liabilities	7,611,443	6,370,726
Net Position		
Net investment in capital assets	3,954,924	2,737,490
Restricted	3,877,557	3,442,358
Unrestricted	(902,392)	379,553
Total Net Position	6,930,089	6,559,401
Total Liabilities Net Assets	\$ 14,541,532	\$ 12,930,127

See accompanying notes to financial statements.

SEVIER COUNTY PUBLIC WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,	2024	2023
Operating Revenue		
Metered water sales, net of bad debts	\$ 1,881,792	\$ 1,762,622
Connection charges	52,033	73,438
Late charges	38,973	36,131
Other fees and charges	-	770
Total Operating Revenue	1,972,798	1,872,961
Operating Expenses		
Water purchased	44,915	27,899
Chemicals	105,060	80,681
Supplies/parts	9,388	830
Advertising	355	-
Contract labor	-	14,955
Depreciation	508,542	502,818
Dues and subscriptions	2,733	1,951
Employee benefits	78,321	70,110
Fees	2,790	2,520
Insurance	61,866	75,498
Licenses and permits	2,736	583
Other operating expenses	1,296	728
Payroll	266,581	290,054
Payroll tax expense	22,015	21,076
Postage and shipping	9,527	9,724
Professional fees	50,758	18,766
Office expense	2,824	2,885
Repairs and maintenance	145,025	159,192
Telephone	9,532	9,505
Travel	3,176	2,230
Utilities	92,017	89,614
Uniforms	1,330	1,602
Vehicle expense	22,440	27,954
Total Operating Expenses	1,443,227	1,411,175
Net Operating Income	529,571	461,786
Nonoperating Revenue (Expense)		
Gain on disposition of asset	-	7,000
Interest income	103,103	40,291
Interest expense	(261,986)	(271,415)
Total Nonoperating Revenue (Expense)	(158,883)	(224,124)
Change in Net Position	370,688	237,662
Net Position at Beginning of Year	6,559,401	6,321,739
Net Position at End of Year	\$ 6,930,089	\$ 6,559,401

See accompanying notes to financial statements.

SEVIER COUNTY PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,927,746	\$ 1,869,882
Cash payments to suppliers for goods and services	(630,086)	(620,916)
Cash payments to employees for services	(283,190)	(282,439)
Net Cash Provided By Operating Activities	1,014,470	966,527
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(59,621)	(140,255)
Proceeds from sale of asset	-	7,000
Principal payments on long-term debt	(233,562)	(224,051)
Interest paid on long-term debt	(262,669)	(272,179)
Net Cash Used In Capital and Related Financing Activities	(555,852)	(629,485)
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(3,863,691)	-
Reinvestment in certificates of deposit earnings	(77,180)	-
Interest income	103,103	40,291
Net Cash Provided (Used) In Investing Activities	(3,837,768)	40,291
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	(3,379,150)	377,333
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	3,869,462	3,492,129
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 490,312	\$ 3,869,462
Reconciliation to the Statement of Financial Position		
Cash and cash equivalents	\$ 193,968	\$ 172,304
Restricted checking and savings accounts	296,344	3,697,158
Total Cash, Cash Equivalents and Restricted Cash	\$ 490,312	\$ 3,869,462
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 529,571	\$ 461,786
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	508,542	502,818
(Increase) decrease in:		
Accounts receivable	(50,927)	(16,104)
Inventory	(14,885)	(6,869)
Increase (decrease) in:		
Accounts payable	50,942	2,997
Accrued wages	231	1,198
Accrued compensated absences	(16,840)	6,417
Payroll taxes payable	496	157
Sales tax payable	1,465	1,102
Customer deposits	5,875	13,025
Net Cash Provided By Operating Activities	\$ 1,014,470	\$ 966,527

See accompanying notes to financial statements.

SEVIER COUNTY PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2024	2023
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of capital assets acquired	\$ 1,492,414	\$ 140,255
Less: current year construction payables	(1,432,793)	-
Net cash used to acquire capital assets	\$ 59,621	\$ 140,255

See accompanying notes to financial statements.

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Nature of Operations

The Sevier County Public Water Authority (formerly the Sevier County Water Association) (the Authority) (the Authority) was incorporated in 1998 as a non-profit corporation organization in Arkansas to construct, maintain, and operate a water system for the supplying of water to its members.

On March 12, 2024 the members adopted a resolution to convert to a water authority under and pursuant to Arkansas Code of 1987 Annotated Title 4, Chapter 35 (the Water Authority Act). The Sevier County Water Association subsequently transferred all of its assets and liabilities, both tangible and intangible, to the Sevier County Public Water Authority.

The Authority's 2023 financial statements have been re-stated to conform with the current year presentation.

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 Taxes

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.

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to 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 uncollectible amounts. The allowance for doubtful accounts is calculated based on the aging of the Authority's accounts receivable, historical experience, and management judgment. The Authority writes off accounts receivable against the allowance when the Authority determines a balance is uncollectible and no longer actively pursues collection. At June 30, 2024 and 2023, allowance for doubtful accounts had a balance of \$10,824 and \$6,841 respectively.

Inventory

Inventory consists of supplies on hand and is valued at the 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 assets of the Authority 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:

Buildings	15 - 20 years
Office furniture and fixtures	5 - 10 years
Equipment	5 - 10 years
Water distribution	20 - 40 years
Water treatment	5 - 40 years
Water storage tanks	10 - 40 years
Vehicles	5 - 10 years

It is the Authority's policy to capitalize all asset purchases.

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Authority does not have any SBITA's in excess of one year.

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

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 up to forty hours of accumulated unused vacation. No unused accumulated sick pay is paid upon termination.

The Authority recognizes its obligation relating to employees' rights to receive compensation for future absences attributable to employees' service already rendered. These rights are accumulated and paid up to a maximum of 240 hours.

At June 30, 2024 and 2023, the Authority had accrued \$18,869 and \$35,709 respectively, for vacation and compensated absences.

Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. 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.

Net Position

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

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

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

The Authority 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. Authority personnel decide which resources (source of funds) to use at the time expenditures are incurred. For financial statement 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 Authority consist of water sales and treatment. 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 that affect the reported amounts of assets and liabilities and disclosures 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 those estimates.

Recently Issued Accounting Standards

The Authority adopted the following standards during the year ended June 30, 2024:

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

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

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

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

2. Deposits in Financial Institutions

The Authority 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 Authority's deposits may not be recovered. The bank balances and carrying amount of the Authority's deposits held were as follows:

Description	At June 30, 2024		At June 30, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 454,231	\$ 454,231	\$ 492,904	\$ 395,769
Collateralized - held by pledging bank or pledging bank's trust department in the Authority's name	-	-	3,473,693	3,473,693
Uncollateralized	33,720	36,081	-	-
Total	\$ 487,951	\$ 490,312	\$ 3,966,597	\$ 3,869,462

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

As Of June 30,	2024	2023
Cash and cash equivalents	\$ 193,968	\$ 172,304
Restricted checking accounts	296,344	3,697,158
Total	\$ 490,312	\$ 3,869,462

Investments

The Authority's investments consist of the following:

As Of June 30,	2024	2023	Maturity	Interest Rate
Certificates of deposit	\$ 1,022,055	\$ -	< 1 year	5.25%
Certificates of deposit	1,019,938	-	1-2 years	4.75%
Certificates of deposit	1,898,878	-	2-3 years	4.50%
Total	\$ 3,940,871	\$ -		

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

2. Deposits in Financial Institutions (continued)

Investments (continued)

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

As Of June 30,	2024	2023
Certificates of deposit	\$ 86,042	\$ -
Restricted certificates of deposit	3,854,829	-
Total	\$ 3,940,871	\$ -

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'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. All of the Authority's certificates of deposit are covered by FDIC limits and/or pledged securities.

Custodial Credit Risk

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

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 June 30, 2024:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 3,940,871	\$ -	\$ -	\$ 3,940,871
Total	\$ 3,940,871	\$ -	\$ -	\$ 3,940,871

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

3. Restricted Funds and Required Accounts

Funds are restricted for the following purposes:

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

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

Meter Deposits - Refundable customer deposits

Restricted balances include the following:

As Of June 30,	2024	2023
Debt service reserve funds	\$ 476,270	\$ 464,279
Depreciation reserve funds	3,406,819	2,984,094
Meter deposit funds	268,084	248,785
Total	\$ 4,151,173	\$ 3,697,158

Restricted deposits as reported in the Statement of Financial Position:

As Of June 30,	2024	2023
Restricted checking accounts	\$ 296,344	\$ 3,697,158
Restricted certificates of deposit	3,854,829	-
Total	\$ 4,151,173	\$ 3,697,158

4. Capital Assets

Activity of capital assets consists of the following:

As Of	July 1, 2023	Additions	Retirements	June 30, 2024
Land	\$ 38,415	\$ -	\$ -	\$ 38,415
Buildings	77,739	-	-	77,739
Office furniture and fixtures	9,031	-	150	8,881
Equipment	312,782	11,816	25,920	298,678
Water distribution	13,893,020	7,500	-	13,900,520
Water treatment	3,383,400	-	-	3,383,400
Water storage tanks	770,521	-	-	770,521
Vehicles	179,848	-	3,679	176,169
Construction in progress	25,250	1,473,098	-	1,498,348
Total capital assets	18,690,006	1,492,414	29,749	20,152,671
Less: accumulated depreciation	(9,891,891)	(508,542)	(29,749)	(10,370,684)
Capital Assets, Net	\$ 8,798,115	\$ 983,872	\$ -	\$ 9,781,987

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

4. Capital Assets (continued)

As Of	July 1, 2022	Additions	Retirements	June 30, 2023
Land	\$ 38,415	\$ -	\$ -	\$ 38,415
Buildings	77,739	-	-	77,739
Office furniture and fixtures	9,031	-	-	9,031
Equipment	270,094	42,688	-	312,782
Water distribution	13,893,020	-	-	13,893,020
Water treatment	3,383,400	-	-	3,383,400
Water storage tanks	770,521	-	-	770,521
Vehicles	129,234	72,317	21,703	179,848
Construction in progress	-	25,250	-	25,250
Total capital assets	18,571,454	140,255	21,703	18,690,006
Less: accumulated depreciation	(9,410,776)	(502,818)	(21,703)	(9,891,891)
Capital Assets, Net	\$ 9,160,678	\$ (362,563)	\$ -	\$ 8,798,115

Construction in progress is for the following:

Description	Balance 6/30/2024	Balance 6/30/2023	Estimated Cost	Estimated Completion
Highway 71 utility relocation	\$ 1,432,793	\$ -	\$ 2,796,408	May 2025
Water line extension	52,805	12,500	1,900,000	May 2025
Generator	12,750	12,750	25,500	
Total	\$ 1,498,348	\$ 25,250	\$ 4,721,908	

During the year ended June 30, 2024, the Authority incurred costs totaling \$1,432,793 to relocate a water line on Highway 71. The Highway department requested the line relocation and is funding 99.66% of the project.

As of June 30, 2024 and 2023, the Authority had incurred costs totaling \$52,805 and \$12,500, respectively on a project to improve water pressure. The project includes adding a new water line in one location and a booster in another. The Authority is securing funding to finance the project.

As of June 30, 2024 and 2023 the Authority had put a \$12,750 deposit down on a 48kw-240 volt 3 phase natural gas stand-by generator. The equipment was on back order, but subsequent to year end, was received and installed in December 2024.

Subsequent to year-end, the Authority commenced a project to rehab the existing steel clear well at the water treatment plant. The Authority issued Water Revenue Bonds, Series 2024A and Series 2024B on November 14, 2024, in the amount of \$868,306 to fund the project.

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

5. Long-Term Debt

Long-term debt consists of:

As Of June 30,	2024	2023
Arkansas Natural Resources Commission - \$206,000 loan dated March 1, 1998, payable in annual installments of \$16,530 including interest of 5.00%. The loan is secured by system properties and equipment. The loan is scheduled to mature on December 1, 2027.	\$ 57,819	\$ 70,771
Rural Development - \$1,391,400 loan dated April 29, 1998, payable in monthly installments of \$6,610 including interest at 4.75%. Secured by system properties and revenues. The loan is scheduled to mature on April 29, 2038.	600,617	671,901
Rural Development - \$4,582,128 loan dated October 28, 2003, payable in monthly installments of \$20,620 including interest at 4.50%. Secured by system properties and revenues. The loan is scheduled to mature on October 28, 2043.	3,179,549	3,281,401
Rural Development - \$2,525,000 loan dated September 16, 2008, payable in monthly installments of \$10,883 including interest at 4.125%. Secured by system properties and revenues. The loan is scheduled to mature on September 16, 2048.	1,989,078	2,036,552
Total	5,827,063	6,060,625
Less current portion	221,271	202,711
Long-Term Debt	\$ 5,605,792	\$ 5,857,914

Principal is scheduled to mature as follows:

June 30,	Principal	Interest	Total
2025	\$ 221,271	\$ 252,615	\$ 473,886
2026	231,434	242,452	473,886
2027	242,066	231,820	473,886
2028	252,391	220,707	473,098
2029	248,290	209,066	457,356
2030-2034	1,375,579	864,931	2,240,510
2035-2039	1,319,860	570,320	1,890,180
2040-2044	1,446,827	278,393	1,725,220
2045-2049	489,345	43,922	533,267
Total	\$ 5,827,063	\$ 2,914,226	\$ 8,741,289

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

5. Long-Term Debt

The provisions for loan default include: 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; or any other remedy permitted by law.

Activity of the long-term debt consists of the following:

As Of	July 1, 2023	Debt Additions	Debt Retirements	June 30, 2024	Due Within One Year
Rural Development \$	5,989,854	\$ -	\$ 220,610	\$ 5,769,244	\$ 207,672
ANRC	70,771	-	12,952	57,819	13,599
Total	\$ 6,060,625	\$ -	\$ 233,562	\$ 5,827,063	\$ 221,271

As Of	July 1, 2022	Debt Additions	Debt Retirements	June 30, 2023	Due Within One Year
Rural Development \$	6,200,775	\$ -	\$ 210,921	\$ 5,989,854	\$ 189,759
ANRC	83,901	-	13,130	70,771	12,952
Total	\$ 6,284,676	\$ -	\$ 224,051	\$ 6,060,625	\$ 202,711

6. Purchase Contracts

On December 9, 1993, the Authority entered into a forty year agreement with Tri-State Regional Water District (the District) to purchase water in De Queen Lake for the purpose of treatment and sale to members. The agreement provides that the District furnish 0.750 millions gallons per day, and reserves for the Authority an additional supply of 1.5 million gallons per day for future use.

Under the agreement, the rate the Authority is obligated to pay the District for water is determined periodically based upon the District's cost and their contract with the U.S. Government. The Authority paid \$44,915 and \$27,899 to the District for water purchases for the years ended June 30, 2024 and 2023, respectively.

7. Employee Benefit Plan

The Authority has adopted a 401(k) profit sharing plan for its employees. All employees at least eighteen years of age having completed six months of service are eligible to participate. The Authority may, at its discretion, contribute a matching amount. For the years ended June 30, 2024 and 2023, the Authority made matching contributions of \$29,791 and \$29,782, respectively, to the plan.

SEVIER COUNTY PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

8. Concentrations of Credit Risk

Financial instruments that potentially subject the Authority to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

9. 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 commercial insurance and workers compensation insurance for these risks 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.

10. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2024 through February 18, 2025, the date the financial statements were available to be issued. Other than borrowings secured to finance projects in progress (see Note 4), there were no subsequent events that require recognition or disclosure in the financial statements.

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
Sevier County Public Water Authority
De Queen, 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 Sevier County Public Water Authority (the Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated February 18, 2025, 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 the 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 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 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 18, 2025