

**FRANKLIN AND SEBASTIAN
PUBLIC WATER AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Franklin Sebastian Public Water Authority
Lavaca, Arkansas

Opinion

We have audited the accompanying financial statements of the Franklin Sebastian Public Water Authority, as of and for the year ended December 31, 2022 and 2021, 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 Franklin Sebastian Public Water Authority as of December 31, 2022 and 2021, 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 Franklin Sebastian Public Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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 Franklin Sebastian 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 Authority's ability to continue as a going concern for a reasonable period of time.

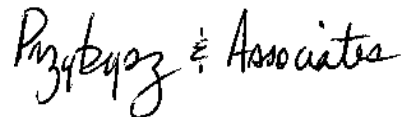
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 basic financial statement 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 9, 2023, on our consideration of the Franklin Sebastian 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 Franklin Sebastian 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 Franklin Sebastian Public Water Authority's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
February 9, 2023

FINANCIAL STATEMENTS

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 220,147	\$ 223,192
Restricted cash and cash equivalents	101,330	82,447
Restricted investment	45,144	824
Accounts receivable	48,390	38,193
Prepaid insurance	7,943	6,905
Due from interlocal entities - current portion	76,629	72,556
Total Current Assets	499,583	424,117
Noncurrent Assets		
Due from interlocal entities - long-term portion	361,102	439,740
Capital Assets		
Land	59,651	59,651
Transmission line	9,577,321	9,577,321
Total	9,636,972	9,636,972
Less: accumulated amortization	2,733,648	2,494,214
Net Capital Assets	6,903,324	7,142,758
Total Noncurrent Assets	7,264,426	7,582,498
Total Assets	\$ 7,764,009	8,006,615
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 43,943	40,129
Accrued interest	7,538	1,174
Current portion of long-term debt	114,166	74,565
Total Current Liabilities	165,647	115,868
Long-term Debt	361,102	437,731
Total Liabilities	526,749	553,599
Net Position		
Net investment in capital assets	6,428,056	6,630,462
Restricted	138,936	82,097
Unrestricted	670,268	740,457
Total Net Position	7,237,260	7,453,016
Total Liabilities and Net Position	\$ 7,764,009	\$ 8,006,615

See accompanying notes to financial statements.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31,	2022	2021
Operating Revenue		
Water sales	\$ 553,963	\$ 561,683
Fixed costs	61,200	53,496
Total Operating Revenue	615,163	615,179
Operating Expenses		
Water purchases	518,795	514,740
Bonding and insurance	12,140	7,574
Professional fees	5,000	4,400
Permits and licenses	912	912
Clerical services	3,900	4,225
Operation and maintenance	33,660	28,293
Supplies	383	384
Utilities	15,859	13,997
Legal fee	-	1,850
Trustee fees	500	500
Administrative expenses	790	790
Depreciation expense	239,433	239,479
Total Operating Expenses	831,372	817,144
Net Loss From Operations	(216,209)	(201,965)
Nonoperating Revenues		
Insurance payments	-	29,093
Interest income	13,861	15,596
Interest expense	(13,408)	(15,420)
Total Nonoperating Revenues	453	29,269
Change In Net Position	(215,756)	(172,696)
Net Position at Beginning of Year, as previously stated	7,453,016	7,040,860
Prior Period Adjustment	-	584,852
Net Position at Beginning of Year, restated	7,453,016	7,625,712
Net Position at End of Year	\$ 7,237,260	\$ 7,453,016

See accompanying notes to financial statements.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2022	2021
Cash Flows From Operating Activities		
Cash receipts from members	\$ 604,966	\$ 620,545
Cash payments to suppliers for goods and services	(589,163)	(588,017)
Net Cash Provided By Operating Activities	15,803	32,528
Cash Flows From Capital and Related Financing Activities		
Reimbursement for asset repairs	-	29,093
Interest paid on long-term debt	(7,043)	(15,586)
Principal paid on long-term debt	(37,028)	(72,558)
Net Cash Used By Capital and Related Financing Activities	(44,071)	(59,051)
Cash Flows From Investing Activities		
Principal received from interlocal entities	74,565	72,556
Net activity in investment account	(44,320)	(2)
Interest income	13,861	15,596
Net Cash Provided By Investing Activities	44,106	88,150
Net Increase in Cash and Cash Equivalents	15,838	61,627
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	305,639	244,012
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 321,477	\$ 305,639
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 220,147	\$ 223,192
Restricted cash and cash equivalents	101,330	82,447
Total Cash, Cash Equivalents, and Restricted Cash	\$ 321,477	\$ 305,639
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net loss from operations	\$ (216,209)	\$ (201,965)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	239,433	239,479
(Increase) decrease in:		
Accounts receivable	(10,197)	5,366
Prepaid insurance	(1,038)	(3,890)
Increase (decrease) in:		
Accounts payable	3,814	(6,462)
Net Cash Provided By Operating Activities	\$ 15,803	\$ 32,528

See accompanying notes to financial statements.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Nature of Operations

The Franklin Sebastian Public Water Authority of the State of Arkansas was incorporated May 29, 2009 under the Water Authority Act, Arkansas Code Annotated Sect. § 4-35-210. The purpose of the Authority is to construct, maintain and operate a water system for the supplying of water to the Cities of Charleston and Lavaca, Arkansas and the RiverSouth Rural Water District. The board of directors of the Authority is composed of representatives of Charleston, Lavaca, and RiverSouth Rural Water District.

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.

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.

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.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Income Taxes

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

Capital Assets and Depreciation

Capital asset purchases 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, repairs, and relatively minor items are charged to expense as incurred. The estimated useful lives of the assets will be as follows:

Land	N/A
Transmission line	40 years

Net Position

Net position of the Authority is 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 invested in capital assets".

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 management 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.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

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 to the three entities referenced above. 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.

New Accounting Pronouncements

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

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

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. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report*. The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022*. 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.

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

2. Deposits and Investments

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 District's deposits may not be recovered. At December 31, 2022 and 2021, all of the Authority's deposits were insured.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

2. Deposits and Investments (continued)

Deposits (continued)

The bank balances and carrying amount of the Authority's deposits held were as follows:

Description	At December 31, 2022		At December 31, 2021	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 321,978	\$ 321,477	\$ 305,639	\$ 305,639
Total	\$ 321,978	\$ 321,477	\$ 305,639	\$ 305,639

Included in the following statement of net position captions

As Of December 31,	2022	2021
Cash and cash equivalents	\$ 220,147	\$ 223,192
Restricted cash and cash equivalents	101,330	82,447
Total	\$ 321,477	\$ 305,639

Investments

Investments consist of an account established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost. The Authority's investments consist of the following:

As Of December 31, 2022	Market	Maturity	Credit Rating
<u>Bond Fund</u>			
Government money market fund	\$ 45,144	< 1 year	AAAm/Aaa-mf
Total	\$ 45,144		

As Of December 31, 2021	Market	Maturity	Credit Rating
<u>Bond Fund</u>			
Government money market fund	\$ 824	< 1 year	AAAm/Aaa-mf
Total	\$ 824		

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022 and 2021, the Authority's investments are invested in U.S. Government securities, which are considered to be risk-free as they have the backing of the government.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

2. Deposits and Investments (continued)

Investments (continued)

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 December 31, 2022:

	Level 1		Level 2		Level 3		Total
Government money market funds	\$	45,144	\$	-	\$	-	\$ 45,144
Total	\$	45,144	\$	-	\$	-	\$ 45,144

3. Restricted Funds and Required Accounts

The Authority's restricted accounts are comprised of the following:

As Of December 31,	2022		2021	
Bond Fund	\$	45,144	\$	824
Depreciation Reserve		101,330		82,447
Total restricted savings	\$	146,474	\$	83,271

Bond Funds - established to fund the semi-annual interests and annual principal payments of the Arkansas Natural Resources Commission bonds.

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

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

4. Due From Interlocal Entities / Interlocal Agreement / Prior Period Adjustment

On December 29, 2009, the Authority entered into an Interlocal Agreement with the Cities of Lavaca and Charleston, and the RiverSouth Rural Water District (Interlocal Entities). 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, the Authority agreed to acquire, construct, equip, operate and maintain the project and purchase and sell water to the Interlocal Entities upon the project's completion. The Authority retains all rights, title, and interest in the project. All equipment necessary to the operation and maintenance thereof shall be owned and operated by the Authority as a water source for the interlocal entities. The Interlocal Entities each agreed to construct, equip, and finance one or more master meters to connect to the project. The interlocal entities also agreed to pay a share of all fixed and variable costs for the operation of the Authority. The Authority received \$61,200 and \$53,496 in fixed and variable costs during the years ended December 31, 2022 and 2021, respectively,

Under a separate agreement, the Interlocal Entities agreed to pay their proportionate share of the principal and interest of the loan referenced in Note 6. The amounts due from the Interlocal Entities are to be collected as follows:

December 31,	City of Lavaca	City of Charleston	RiverSouth Rural Water Dist.	Total
2023	\$ 26,820	\$ 38,315	\$ 11,494	\$ 76,629
2024	27,563	39,376	11,812	78,751
2025	28,326	40,466	12,140	80,932
2026	29,111	41,586	12,476	83,173
2027	29,917	42,738	12,822	85,477
Thereafter	11,469	16,385	4,915	32,769
Total	\$ 153,206	\$ 218,866	\$ 65,659	\$ 437,731

Prior Period Adjustment

The Authority recorded a prior period adjustment to record the amount due to the Authority as of December 31, 2020 and its effect on the 2021 financial presentation. The effect of this adjustment in the 2021 financial statements was as follows:

	Original	Adjustment	Restated
Statement of Net Position			
Due from interlocal entities - current portion	\$ -	\$ 72,556	\$ 72,556
Due from interlocal entities - long-term portion	-	439,740	439,740
Unrestricted net position	228,160	512,297	740,457
Statement of Revenues, Expenses and Changes in Net Position			
Debt service income	\$ 88,142	\$ (88,142)	-
Interest income	10	15,586	15,596

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

4. Due From Interlocal Entities / Interlocal Agreement / Prior Period Adjustment (continued)

Prior Period Adjustment (continued)

Statement of Cash Flows

Cash receipts from members	\$	737,780	\$	117,235	\$	620,545
Reimbursement for asset repairs		-		(29,093)		29,093
Principal received from interlocal entities		-		(72,556)		72,556
Interest income		10		(15,586)		15,596

5. Capital Assets

The Authority's major capital asset is a transmission line that delivers water from the City of Fort Smith to the Interlocal Entities. The Authority and the interlocal entities were responsible for the construction of a specific percentage of the cost of the project. The majority of the cost of the project incurred by the members were funded by American Recovery and Reinvestment Act (ARRA) funds. Per the interlocal agreement, the Authority retains ownership and management of the project. Therefore, the costs of the project incurred by the Interlocal Entities will be treated as contributions of assets to the Authority. As of December 31, 2022 and 2021, the Authority and the Interlocal Entities have incurred costs of construction of the transmission line is as follows:

		Land	Transmission Line
Franklin and Sebastian Public Water Authority	\$	59,651	\$ 1,329,714
City of Charleston		-	3,719,967
City of Lavaca		-	3,273,813
RiverSouth Rural Water District		-	1,253,827
Total	\$	59,651	\$ 9,577,321

6. Long-Term Debt

Long-term debt consists of:

As of December 31,	2022	2021
Arkansas Natural Resources Commission - note dated February 23, 2021 in the amount of \$1,130,000. Payments are made semi-annually in the amount of \$44,072 including interest of 4.75%. The loan is scheduled to mature on June 1, 2028 and is secured by revenues of the Authority.	\$ 475,268	\$ 512,296
Total	475,268	512,296
Less current portion	114,166	74,565
Long-Term Debt	\$ 361,102	\$ 437,731

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

6. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2023	\$ 114,166	\$ 18,050	\$ 132,216
2024	78,752	9,392	88,144
2025	80,932	7,212	88,144
2026	83,173	4,971	88,144
2027	85,476	2,668	88,144
2028	32,769	451	33,220
Total	\$ 475,268	\$ 42,744	\$ 518,012

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

	January 1, 2022	Additions & Contributions	Retirements	December 31, 2022	Due Within One Year
ANRC	\$ 512,296	\$ -	\$ 37,028	\$ 475,268	\$ 114,166
Total	\$ 512,296	\$ -	\$ 37,028	\$ 475,268	\$ 114,166

	January 1, 2021	Additions & Contributions	Retirements	December 31, 2021	Due Within One Year
ANRC	\$ 584,854	\$ -	\$ 72,558	\$ 512,296	\$ 74,565
Total	\$ 584,854	\$ -	\$ 72,558	\$ 512,296	\$ 74,565

If there is any default in the payment of principal or interest on any of the bonds, the bondholder may: demand that the outstanding principal and interest become immediately due and payable; appoint a receiver to administer the water system on behalf of the Authority until all defaults have been cured; exercise any remedy available by law in order to cause the Authority to comply with the trust indenture.

7. Services Provided by the City of Lavaca (an Interlocal Entity)

The City of Lavaca provides clerical services and operations and maintenance support for the Authority. During the years ended December 31, 2022 and 2021, the Authority paid \$23,532 and \$25,493, respectively, for services provided.

8. Commitments

The Authority entered into a Surplus User Water Agreement with the City of Fort Smith on October 20, 2009. The twenty year agreement allows for the Authority to take a maximum 128.77 million gallons in the first year and a maximum 218.65 million gallons annually at year ten. The Authority may request changes in volumes and delivery rates after the initial first ten years of the agreement.

FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 currently carries directors & officers liability insurance through CNA Insurance and property, general liability, and a linebacker policy through Risk Services/EMC Insurance Companies.

10. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through February 9, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

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
Franklin Sebastian Public Water Authority
Lavaca, 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 Franklin Sebastian Public Water Authority ("the Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated February 9, 2023 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 opinions 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 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 over financial reporting 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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

This 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 the 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 9, 2023