

**FRANKLIN AND SEBASTIAN  
PUBLIC WATER AUTHORITY**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**



**FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY**  
**DECEMBER 31, 2023 AND 2022**

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## **Independent Auditor's Report**

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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, 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 Franklin Sebastian Public Water Authority as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted 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 March 15, 2024, 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**  
**March 15, 2024**

## ***FINANCIAL STATEMENTS***

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 250,511	\$ 220,147
Restricted cash and cash equivalents	121,052	101,330
Restricted investment	2,216	45,144
Accounts receivable	45,964	48,390
Prepaid insurance	6,769	7,943
Due from interlocal entities - current portion	78,751	76,629
<b>Total Current Assets</b>	<b>505,263</b>	<b>499,583</b>
<b>Noncurrent Assets</b>		
Due from interlocal entities - long-term portion	282,351	361,102
<b>Capital Assets</b>		
Land	59,651	59,651
Transmission line	9,577,321	9,577,321
<b>Total</b>	<b>9,636,972</b>	<b>9,636,972</b>
Less: accumulated amortization	2,973,081	2,733,648
<b>Net Capital Assets</b>	<b>6,663,891</b>	<b>6,903,324</b>
<b>Total Noncurrent Assets</b>	<b>6,946,242</b>	<b>7,264,426</b>
<b>Total Assets</b>	<b>\$ 7,451,505</b>	<b>7,764,009</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 44,103	43,943
Accrued interest	978	7,538
Current portion of long-term debt	78,752	114,166
<b>Total Current Liabilities</b>	<b>123,833</b>	<b>165,647</b>
<b>Long-term Debt</b>	<b>282,350</b>	<b>361,102</b>
<b>Total Liabilities</b>	<b>406,183</b>	<b>526,749</b>
<b>Net Position</b>		
Net investment in capital assets	6,302,789	6,428,056
Restricted	122,290	138,936
Unrestricted	620,243	670,268
<b>Total Net Position</b>	<b>7,045,322</b>	<b>7,237,260</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,451,505</b>	<b>\$ 7,764,009</b>

See accompanying notes to financial statements.

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Operating Revenue</b>		
Water sales	\$ 568,369	\$ 553,963
Fixed costs	66,024	61,200
<b>Total Operating Revenue</b>	<b>634,393</b>	<b>615,163</b>
<b>Operating Expenses</b>		
Water purchases	518,485	518,795
Bonding and insurance	12,433	12,140
Professional fees	5,250	5,000
Permits and licenses	1,289	912
Clerical services	3,900	3,900
Operation and maintenance	29,994	33,660
Supplies	383	383
Utilities	19,167	15,859
Trustee fees	500	500
Administrative expenses	790	790
Depreciation expense	239,433	239,433
<b>Total Operating Expenses</b>	<b>831,624</b>	<b>831,372</b>
<b>Net Loss From Operations</b>	<b>(197,231)</b>	<b>(216,209)</b>
<b>Nonoperating Revenues</b>		
Insurance reimbursement	3,004	-
Interest income	13,779	13,861
Interest expense	(11,490)	(13,408)
<b>Total Nonoperating Revenues</b>	<b>5,293</b>	<b>453</b>
<b>Change In Net Position</b>	<b>(191,938)</b>	<b>(215,756)</b>
Net Position at Beginning of Year	7,237,260	7,453,016
<b>Net Position at End of Year</b>	<b>\$ 7,045,322</b>	<b>\$ 7,237,260</b>

See accompanying notes to financial statements.



# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Cash Flows From Operating Activities</b>		
Cash receipts from members	\$ 636,819	\$ 604,966
Cash payments to suppliers for goods and services	(590,857)	(589,163)
<b>Net Cash Provided By Operating Activities</b>	45,962	15,803
<b>Cash Flows From Capital and Related Financing Activities</b>		
Insurance reimbursement for asset repairs	3,004	-
Interest paid on long-term debt	(18,050)	(7,043)
Principal paid on long-term debt	(114,166)	(37,028)
<b>Net Cash Used By Capital and Related Financing Activities</b>	(129,212)	(44,071)
<b>Cash Flows From Investing Activities</b>		
Principal received from interlocal entities	76,629	74,565
Net activity in investment account	42,928	(44,320)
Interest income	13,779	13,861
<b>Net Cash Provided By Investing Activities</b>	133,336	44,106
<b>Net Increase in Cash and Cash Equivalents</b>	50,086	15,838
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	321,477	305,639
<b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>	\$ 371,563	\$ 321,477
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 250,511	\$ 220,147
Restricted cash and cash equivalents	121,052	101,330
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	\$ 371,563	\$ 321,477
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Net loss from operations	\$ (197,231)	\$ (216,209)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	239,433	239,433
(Increase) decrease in:		
Accounts receivable	2,426	(10,197)
Prepaid insurance	1,174	(1,038)
Increase (decrease) in:		
Accounts payable	160	3,814
<b>Net Cash Provided By Operating Activities</b>	\$ 45,962	\$ 15,803

See accompanying notes to financial statements.

# **FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **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, 2023 AND 2022

### 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

#### Leases

The Authority determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date.

The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure any right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

#### 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.

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### **Net Position**

*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.

#### **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 accounting pronouncements which became effective for the Waterworks' fiscal year ended December 31, 2022.

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.

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### New Accounting Pronouncements

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.

### 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, 2023 and 2022, all of the Authority's deposits were insured.

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

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 371,263	\$ 371,263	\$ 321,978	\$ 321,477
Total	\$ 371,263	\$ 371,263	\$ 321,978	\$ 321,477

Included in the following statement of net position captions

As Of December 31,	2023	2022
Cash and cash equivalents	\$ 250,511	\$ 220,147
Restricted cash and cash equivalents	121,052	101,330
Total	\$ 371,563	\$ 321,477

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 2. Deposits and Investments (continued)

#### 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:

<b>As Of December 31, 2023</b>	<b>Market</b>	<b>Maturity</b>	<b>Credit Rating</b>
<u>Bond Fund</u>			
Government money market fund	\$ 2,216	< 1 year	AAAm/Aaa-mf
Total	\$ 2,216		

  

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

#### 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 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.

#### 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

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 2. Deposits and Investments (continued)

#### Investments (continued)

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

	Level 1	Level 2	Level 3	Total
Government money market funds	\$ 2,216	\$ -	\$ -	2,216
Total	\$ 2,216	\$ -	\$ -	2,216

### 3. Restricted Funds and Required Accounts

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

As Of December 31,	2023	2022
Bond Fund	\$ 2,216	\$ 45,144
Depreciation Reserve	121,052	101,330
<b>Total restricted savings</b>	<b>\$ 123,268</b>	<b>\$ 146,474</b>

**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.

### 4. Due From Interlocal Entities / Interlocal Agreement

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 \$66,024 and \$61,200 in fixed and variable costs during the years ended December 31, 2023 and 2022, respectively,

# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 4. Due From Interlocal Entities / Interlocal Agreement (continued)

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
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
2028	11,469	16,385	4,915	32,769
Total	\$ 126,386	\$ 180,551	\$ 54,165	\$ 361,102

### 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, 2023 and 2022, 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



# FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 6. Long-Term Debt

Long-term debt consists of:

As of December 31,	2023	2022
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.	\$ 361,102	\$ 475,268
Total	361,102	475,268
Less current portion	78,752	114,166
Long-Term Debt	\$ 282,350	\$ 361,102

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
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	\$ 361,102	\$ 24,694	\$ 385,796

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

	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023	Due Within One Year
ANRC	\$ 475,268	\$ -	\$ 114,166	\$ 361,102	\$ 78,752
Total	\$ 475,268	\$ -	\$ 114,166	\$ 361,102	\$ 78,752

  

	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

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.

# **FRANKLIN AND SEBASTIAN PUBLIC WATER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **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 both years ending in December 31, 2023 and 2022, the Authority paid \$23,532, 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.

### **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, 2023 through March 15, 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.

***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***

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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, 2023, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated March 15, 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 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**  
**March 15, 2024**